FINANCIAL TIMES

Management

Big prize lies in foreseeing the future

Page 9

Feature

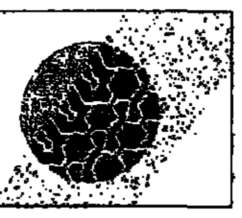
IBM: has Gerstner pulled it off?

Page 15

People

Nick Land: from sea to accountancy

Page 8



Japan

Increasing drive for European cars?

Page 4

World Business Newspaper MONDAY JUNE 5 1995 D8523A

Mandela calls for emergency debate over Inkatha crisis

The increasingly bitter row between South Africa's ruling African National Congress and the mainly-

Zulu Inkatha Freedom party is likely to be fanned this week, following a decision by President Nelson Mandela (left) to call an emergency parliamentary debate. The debate will hinge on Mr Mandela's admission that in March last year he instructed guards at the ANC headquarters in central Johannesburg to shoot to kill if the building were attacked during an IFP protest march. Page 16

Row threatens Japanese government: Japan's prime minister, Tomiichi Murayama, will try this week to defuse the greatest threat yet to his political survival, a self-generated row over Japan's wartime record. Page 4

Bonn moves to cut car pollution: Germany intends to ban all cars without catalytic convertors by 2000 and force the oil industry to cut the levels of benzene in petrol in an effort to reduce exhaust emissions. Page 2

Protest over Bangkok exchange plans: All 23 foreign brokerage houses operating in Thailand have protested over a proposal before the Bangkok stock exchange to tighten limits on foreign ownership of exchange members. Page 16

Redland to reorganise Monier: UK construction materials group Redland is to reorganise Monier, its US roof tile company, at a total cost of $49m to reduce annual costs by $14m. Page 18

Laura Ashley, the UK clothing and furnishings group, moved swiftly to quash reports of a potential takeover bid from the US. Page 18

Welsh Water in Czech deal: UK utility Welsh Water is set to announce it has taken a minority stake in Severočeské vodovody a kanalizace, the Czech Republic's biggest private-sector water and sewerage operator, for £7.25m ($11.5m). Page 19

Olympic Airways cuts losses: The struggling Greek state carrier announced a small increase in the number of passengers carried and a drop in operating losses for the first quarter of 1995 down 64 per cent to Dr12bn ($51m). Page 2

EU and Japan start trade talks: European Commission vice-president Sir Leon Brittan arrived in Tokyo for talks on ways for Japan and Europe to increase sales in each other's markets. Page 4

Norway on alert over floods: Nearly 6,000 Norwegian military and civil defence forces were put on stand-by alert at the weekend as the country's worst floods in more than a century swept through two counties north-east of Oslo, closing roads and railways. Page 4

Algerian president's killer sentenced: A court in Tunis has sentenced an army lieutenant to death for killing Algerian president Mohamed Boudiaf in 1992 and plotting to overthrow the government.

Morocco rejects fishing proposal: Morocco rejected a European Union offer for a new fishing accord, saying the European Commission proposals were unsatisfactory. A three-year fisheries agreement expired on April 30.

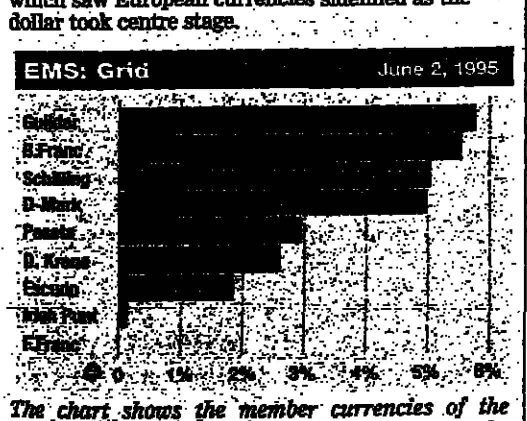
Red Cross ship hits Tamil mine: A Red Cross vessel carrying 12 people hit a mine laid by Tamil Tiger rebels off northern Sri Lanka, leaving one Indonesian crew member missing, presumed dead, and two injured.

England to meet Wallabies in quarter-final:

England confirmed a quarter-final berth against cup-holders Australia with a comfortable 44-22 win over Western Samoa last night. In other results from games played yesterday, Ireland will meet France after beating Wales 24-23; New Zealand, which is due to meet Scotland in the quarter finals, scored a record 145 points against Japan, 17, and Italy beat Argentina 31-25.
Match reports, Page 5

European Monetary System: The Irish punt climbed above the French franc in the EMS grid last week, but the order of currencies was otherwise unchanged. The gap between strongest and weakest eased by around ¾ of a percentage point, in a week which saw European currencies sidelined as the dollar took centre stage.

EMS: Grid June 2, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr20	Jordan	JD1.50	Poland	Zl 43,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es230	Turkey	L55,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Withdrawal still possible despite extra troops, says foreign minister

UK warning over UN in Bosnia

By George Parker and Bruce Clark in London and Laura Silber in Belgrade

The United Nations may still be forced to withdraw from Bosnia, despite the decision taken by western governments over the weekend to reinforce the peacekeeping mission there with up to 10,000 troops, the UK government warned yesterday.

Mr Douglas Hurd, UK foreign secretary, said the two extra brigades – one British air-mobile brigade and a multinational force – would give "greater clout" to the hard-pressed UN mission on humanitarian tasks.

He added, however, that "it might not work" and a Nato plan for the evacuation of the UN peacekeeping force would then have to be implemented.

A UN pull-out would lead to an upsurge in fighting and the removal of all curbs on supplying weapons to the Bosnian government, Mr Hurd told BBC Radio's *The World This Weekend*.

"The arms embargo would be lifted," he said. "The current uncertain peace – half peace, half war – would become full war again, and the war might spread."

Defence ministers from 15 western countries agreed to boost the UN's rapid-reaction capacity in Bosnia with extra British, French and Dutch forces, backed up by close air support, and the loan of attack helicopters, navigation and intelligence equipment from the US.

The Dutch contribution would be subject to the approval of parliament, which has expressed grave reservations.

The new troops could also be used to cover a pull-out from Bosnia, although they fall far short of the 40,000 to 50,000 soldiers needed under a Nato plan for the withdrawal of the UN mission.

Mr Hurd said of the Nato plan: "It is virtually complete, it exists and of course, if needs be, we would have to do that." Explaining the circumstances that would prompt a withdrawal, he added: "If we all decided it wouldn't be possible to carry on, that the minimum of consent was not there and the risks were too high, we would pull out."

Clinton retreats from contributing troops .... Page 2

Meanwhile the Bosnian Serbs continued to set tough terms for the release of nearly 300 peacekeepers who are still in their custody, despite the release of an initial batch of 120 UN soldiers as a "goodwill gesture" on Friday.

General Ratko Mladic, Bosnian Serb commander, told UN officials in Sarajevo that he wanted a firm assurance that there would be no further air strikes against his army's positions.

If this condition was not fulfilled, he would refuse to discuss any issue relating to the hostages, including that of possible visits by the Red Cross.

Gen Mladic also refused to discuss the fate of the US pilot who was shot down in an F-16 aircraft on a Nato mission over Serb-held territory in Bosnia on Friday.

He demanded a personal meeting with General Bertrand Janvier, French commander of the UN forces in the former Yugoslavia.

In Belgrade, there were signs of an intensifying power struggle between Serbian President Slobodan Milosevic and his former protégé Mr Radovan Karadzic, leader of the Bosnian Serbs.

An ultra-nationalist Serbian politician, Mr Vojislav Seselj and several of his lieutenants were arrested over the weekend. They had all been outspoken critics of the Serbian president's decision to support an international peace plan and break with the Bosnian Serbs.

Fighting escalated in Sarajevo over the weekend. Five people were killed and 10 injured yesterday after Serb forces shelled a suburb.

In Croatia, rebel Serb forces came under attack in a joint offensive by Bosnian Croat forces and the Croatian army which threatened to cut off Knin, the main Serb stronghold in Croatia.

Divisions surface over plans for EU enlargement

By Lionel Barber in Taormina, Sicily, and George Parker in London

The European Union has set in motion preparations for next year's intergovernmental conference where a showdown is looming over the union's planned enlargement to central and eastern Europe.

Divisions surfaced at the inaugural meeting in Taormina on Saturday of the EU's Reflection Group of government-appointed experts charged with preparing the IGC.

Mr David Davis, UK minister for European affairs, pledged that Britain would oppose any extension of majority voting at next year's IGC, due to review the Maastricht treaty. He called for a more "flexible" union with treaty opt-outs and decentralisation of decision-making.

Britain's stand appeared to put it at odds with the majority led by Germany and the European Commission. This camp is pressing for tighter integration to cope with expansion of the union from 15 to as many as 27 member states.

Mr Carlos Westendorp, the senior Spanish diplomat chairing the Reflection Group, made clear the experts might produce a report at the end of the year with dissenting opinions. "We are not *looking for consensus for consensus's sake*," he said.

He stressed it was no longer possible to tinker with Maastricht. "Enlargement makes it even more urgent to find solutions. We have to make the reforms necessary to make enlargement work."

Although EU representatives said Mr Davis had been measured in his comments in private, several said it reinforced the widely held view that it may be impossible to strike a deal with Britain on the IGC until after the general election, due by April 1997 at the latest.

Mr Davis insisted however that Britain would not be isolated in the IGC. Though he declined to identify potential allies, he predicted France would support British resistance to majority voting in foreign policy.

"We must get away from the idea that somehow more majority voting is the solution to our problems," he said.

The Reflection Group is due to hold 13 two-day "brainstorming" sessions on all aspects of European integration, with the aim of producing a report to the European summit in Madrid in December.

In London, Mr Malcolm

Continued on Page 16

EU suffers middle-aged angst, Page 3

Six years on: a uniformed policeman and two colleagues in plainclothes shelter from the sun under a parasol in Tiananmen Square on the anniversary of the pro-democracy protests crushed by the Beijing authorities. Only two commemorative activities were known to have taken place yesterday. Dissident Chen Ziming staged a one-day hunger strike and mourners in the square hurled hundreds of yellow paper slips in the air – a traditional Chinese offering of "money" to the dead. Picture: EPA

UK urges Europe to collaborate more on defence projects

By Bernard Gray, Defence Correspondent in London

Britain is expected to seek a stronger management role for British Aerospace in the £32bn Eurofighter programme as part of an increased involvement in European collaborative defence projects.

Mr Roger Freeman, defence procurement minister, is proposing that Britain should develop more of its defence equipment in co-operation with other countries. He also wants a simplified management structure for such developments to prevent some of the inefficiencies which have arisen in the past.

One of the first projects to be tackled could be the Eurofighter programme, which brings together Britain, Germany, Italy and Spain. "There is a case for BAe to take a senior role in the Eurofighter," he said.

The pressure for more collaborative projects with a simplified management structure is part of an effort to cut defence development costs and increase efficiency. Past collaborations have saved money because development costs have been shared, but have also introduced new costs through duplicated effort. Mr Freeman wants work on programmes to be shared more rationally, with each company developing complete sub-systems, rather than passing work on particular components from one to another. On Eurofighter, for example, the radar is made by GEC-Marconi of the UK while its covering is made by Daimler-Benz Aerospace of Germany, and there have been difficulties marrying the two together. Handing the whole assembly to one company could help avoid such difficulties, says Mr Freeman.

As well as taking a more "modular" approach to collaborative programmes, Mr Freeman thinks that a simplified and stronger management structure could cut costs. On Eurofighter, for example, the UK is likely to buy the most aircraft and have the largest share of production work, so it makes sense for BAe to take a bigger management role.

The defence minister is also encouraging his department to look for projects which could be developed with partners at an earlier stage, so each country's requirements do not get set in stone before the possibility of joint development is considered.

Culture change demanded at ministry, Page 6

Paris Club to seek new debt pact with Moscow

By John Thornhill in Moscow

The Paris Club of sovereign creditors will hold talks with Russia in the next two or three months in an attempt to reach a "comprehensive rescheduling" of the huge foreign debts amassed by the former Soviet Union.

Following meetings between western and Russian government officials in the French capital this weekend, the Paris Club said it would also recommend a reorganisation of Russia's external obligations which fall due this year.

Such a debt agreement would ease the pressure on Russia's public finances and help clear the way for the country to return to the international capital markets which have been closed to it since the collapse of the Soviet Union in 1991.

In April 1993, Russia assumed responsibility for the $100bn (£63.6bn) of Soviet foreign debts, but has since struggled to meet the interest payments, resulting in the total snowballing to about $130bn.

Progress on a debt rescheduling was expected following the recent conclusion of a $6.8bn standby loan with the International Monetary Fund, but comes as another positive sign for the Russian economy which is showing some fragile signs of recovery after five years of contraction.

On Saturday, Mr Victor Chernomyrdin, Russia's prime minister, hailed a recent rise in Russia's gross domestic product as evidence that economic stabilisation was beginning to work. According to preliminary economic data, GDP rose by 1 per cent in May with the iron, steel, machine-building and petrochemical sectors showing some signs of recovery after many months of decline.

The much-battered rouble has also begun to stabilise, appreciating against the dollar since the beginning of May. On Friday, it closed at Rbs4,943 to the dollar.

Last week, Mr Vladimir Panskov, finance minister, said the rouble should continue to rise for the foreseeable future, suggesting the central bank had even been

Continued on Page 16

CONTENTS

No 32,693 Week No 23

LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

West sets tough military goals in Bosnia

By Bruce Clark in London, David Buchan in Paris and Harriet Martin in Sarajevo

Western governments have sketched out a formidable – and to some observers unrealistic – range of objectives as they prepare the despatch to Bosnia of a new rapid reaction force that will vastly increase the firepower of the UN peacekeepers.

According to a list of "talking points" that was issued to the media after the weekend meeting in Paris of 15 western defence ministers, there was general agreement on a series of goals whose achievement could transform the Bosnian confrontation.

They include:

- The regrouping of isolated UN units, though not apparently the hard-pressed garrisons which stand guard over the Moslem safe areas;
- The total removal of all heavy weapons from the exclusion zones of Sarajevo and Gorazde.
- The reopening of access to Sarajevo, by land and air.
- Freedom of movement for the UN protection force, particularly to the Moslem safe areas.
- Helping the UN to "sustain the availability" of Nato air support.

This is a very ambitious set of targets, when set against the dire situation in which the UN currently finds itself.

Apart from the fact that about 270 peacekeepers are being held hostage, the UN has since April been forced to abandon its humanitarian airlift to Sarajevo, and it no longer has access to any of the Moslem enclaves in eastern Bosnia.

It has also lost control of nine of the 10 "weapons collection points" in Sarajevo which had served since February 1994 as an imperfect way of taking heavy armour – in which the Serbs have a near monopoly – out of circulation.

The total removal of heavy weapons from the Sarajevo area, as mooted in Paris, would transform the military balance in the Bosnian capital. It is hard to see how it could be achieved except by the use of draconian force, or as part of some broader agreement on demilitarising the city.

British and French officials were at pains yesterday to play down the more ambitious parts of the Paris agenda and stress that the overwhelming priority of the new forces was to safeguard the existing UN contingent.

A senior British official said yesterday that even after the 10,000-strong rapid reaction force was in place, the UN mission would still have to conduct negotiations over access to the safe areas and the opening up of road and air routes to Sarajevo.

In Paris, a senior French defence official had a similar message. "There is no question of giving the new force by itself the job of assuring the safety of Sarajevo, or clearing corridors from the Bosnian capital west to the coast or access eastwards to the [Moslem] enclaves."

"These remain general objectives of Unprofor, of which the rapid reaction force will just be the servant," he explained.

Mr Charles Millon, the French defence minister, told French television that the two new brigades, operating under UN command but in national uniform, was designed to be "a deterrent force to avoid acts of barbarism ... it will be able to carry out combat missions to allow the blue helmets [of Unprofor proper] to implement their peacekeeping role".

For his part, Mr Malcolm Rifkind, the UK defence minister, stressed that though "this is the first time in the history of the UN that such a rapid reaction force had been created ... it would not change the nature of the UN presence". The force's creation would "not bring the UN any closer to being a combatant" in a crisis which "still requires a political solution", the UK minister said.

The French defence official drew attention to the fact that in Saturday's communiqué the only formal definition of the Rapid Reaction Force's role was "to carry out missions to enhance the protection of Unprofor and to assist in the proper execution of its mandate". Such missions might be include protecting freedom of movement and coming to the rescue of a convoy under attack, the official said. This is why the Franco-British authors of the Rapid Reaction Force plan believe it can operate within existing UN resolutions.

President Jacques Chirac telephoned Mr Boutros Boutros Ghali, the UN secretary general, after Saturday's meeting to brief him on the new plans, which are expected to be the subject of some blunt exchanges this week between western governments and the UN secretariat.

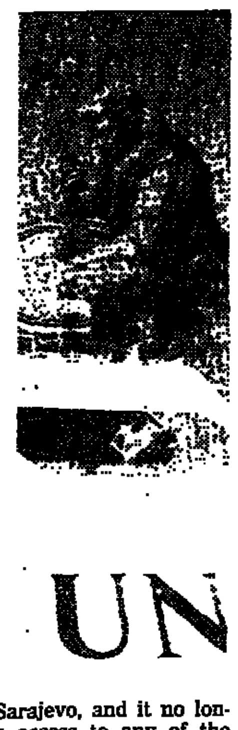
UN officials said yesterday their organisation would welcome the reinforcements as long as they were deployed in a way that was compatible with peacekeeping, to "increase the range of options" available to UN commanders.

One said the UN mission in Bosnia could only use the reinforcements effectively if the Contact Group or some other international body created a "political framework" within which the UN could seek to mitigate the conflict.

Mr Boutros Ghali has pressed the Security Council to choose between a lightly armed humanitarian operation or else a tough multinational intervention force which would fall outside the UN peacekeeping structure. The Paris decision falls squarely in the middle of these two options.

Main points of the Paris decision

- Total rapid reaction force of 9,000 to 10,000 under the command of Generals Bertrand Janvier of France (UN commander in former Yugoslavia) and Rupert Smith of Britain (the UN commander in Bosnia);
- An all-British air-mobile brigade of 5,000; A multinational brigade including 1,000 UK troops (mainly engineers and signallers); 1,500 French soldiers and 300 Dutch marines with mortars
- US to provide airlift and close air support: attack helicopters: navigation systems: intelligence units
- Other help expected from Denmark, Germany, Italy, Norway, Spain and Turkey
- Missions to include - regrouping isolated units, closing heavy weapons collection points; resuppling outposts in Moslem enclaves; clearing air and road access to Sarajevo



Clinton retreats from contributing troops

By Jurek Martin in Washington

The US administration, apparently reacting to domestic political pressure, made clear repeatedly over the weekend the improbability of using US troops to help redeploy UN forces in Bosnia.

President Bill Clinton, in his weekly radio address, said he would order the US military to act only in the "remote, highly unlikely event that Britain, France and other countries, with their considerable military strength and expertise, become stranded and cannot get out of a particular place."

Even in the event of such an emergency, Mr Clinton said, Congress would be consulted before any US troops were sent into action. The US has about 12,000 troops, plus fighter squadrons and missiles, on station in the Adriatic and Mediterranean.

Mrs Madeleine Albright, the US ambassador to the UN, added yesterday that the creation of the Nato rapid reaction force, agreed at the Paris meeting of defence ministers on Saturday, rendered the use of US troops on the ground "more unlikely". She stressed the US obligation to Nato, but said the allies "now feel confident enough to have a more robust reaction."

The tenor of official remarks contrasts sharply with what appeared to be a new willingness by Mr Clinton to consider the introduction of US ground troops last week. He spoke then of the importance of not leaving "our Nato allies in the lurch" and of the "temporary use" of US troops to help in any "reconfiguration" of the United Nations Protection Force (Unprofor). But it prompted a deluge of criticism from congressional leaders, including several Democrats.

> **Nato's rapid reaction force has rendered the use of US troops on the ground 'more unlikely'**

Yesterday Senator Robert Dole, the leading candidate for the Republican presidential nomination, doubted whether the new Nato force would "make much of a difference". He would not oppose US troops being used in an "emergency extraction" as a "prelude to withdrawal" so long as they were not under UN command.

But, he said: "I would not buy into a failed policy" by adding to the limited circumstances under which US troops could be deployed. "We don't have a clearly defined mission – not for us nor for anyone else." The best course was to withdraw Unprofor, lift the arms embargo and equip and train the Bosnian army, not in the "war zone" but in a "safe place" like Croatia, he said.

Answering Mrs Albright's criticism that what she called a "feelgood option" would inevitably lead to the "Americanisation" of the war, Mr Dole replied: "If they [the Bosnians] lose, it's their problem. Doing nothing is our problem."

But most of the political heat has been directed at the administration on the grounds that it has appeared to retreat within days from a new and firmer ground that had attracted widespread Nato approval, but very little at home.

Mrs Albright and Mr Tony Lake, the national security adviser, staunchly denied this yesterday, but an unnamed senior official was quoted in the Washington Post as saying that "public diplomacy" aimed at the allies had to be different from the message for domestic political considerations.

One of the more telling comments was attributed to Mr John Deutch, new head of the CIA. He reportedly said that the US probably had little alternative but to "muddle through" in Bosnia for the foreseeable future.

Sweden's ex-PM may take peace job

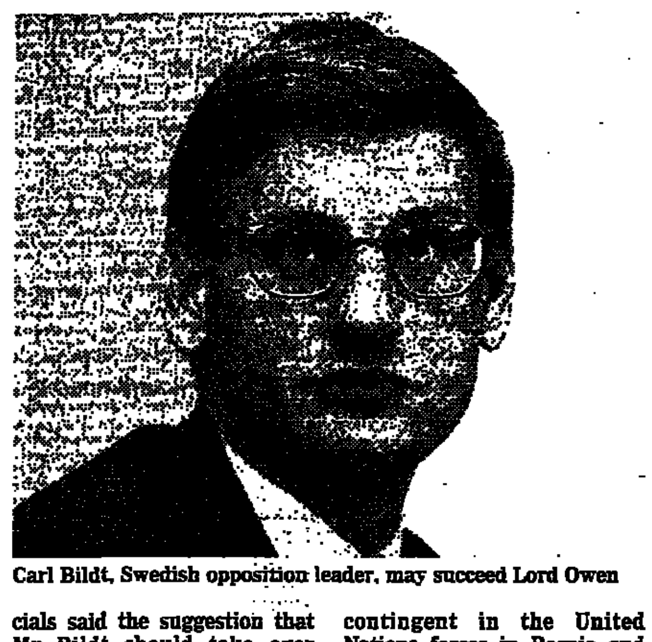
By Hugh Carnegy in Stockholm

Senior European Union leaders have asked Mr Carl Bildt, the former Swedish prime minister, to take over as the EU's mediator in the former Yugoslavia when Lord Owen steps down at the end of this month after three years in the post.

Mrs Lena Hjelm-Wallen, Sweden's foreign minister, said at the weekend she had discussed the possibility of Mr Bildt assuming the job with officials from France, which at present holds the EU presidency, when she attended the EU gathering in Messina on Friday. She said the Social Democratic government would consider it "an honour" for Sweden.

Mr Bildt, a conservative and leader of the opposition since he lost last September's general election, has so far declined any public comment.

But he is understood to be the only candidate under active discussion at present and is seriously considering taking the role. But he is said to be concerned to clarify exactly what mandate he would have from EU leaders, given the failures of mediation efforts to date. Swedish officials said the suggestion that Mr Bildt should take over from Lord Owen, who announced his resignation last week, came from Britain and France, with Mr John Major, the British prime minister, pushing his merits.



Carl Bildt, Swedish opposition leader, may succeed Lord Owen

Mr Bildt has the advantage of not coming from any of the major powers involved in the crisis in former Yugoslavia, while having close ties to the conservative governments in Bonn, Paris and London.

During his three-year term as prime minister he sought to play an active role in Europe, leading Sweden successfully through its negotiations to join the EU and speaking out forcefully on security and strategic issues following the collapse of the Soviet Union.

He presided over the build-up of a large Swedish contingent in the United Nations forces in Bosnia and other former Yugoslav states – and the influx of tens of thousands of refugees to Sweden. But he has held to the mainstream west European policy of avoiding large-scale, pro-active military intervention.

Mr Bildt's chief domestic concern is to win the agreement of his Moderate party that he either takes time off as leader, or, more likely, hands over temporarily some of his party duties. Although there are elections to the European Parliament in September, a general election is more than three years away. Relations between Mr Bildt and Mr Ingvar Carlsson, the prime minister, are cool at best. But Mr Carlsson has signalled he has no objection to his predecessor taking on the EU task.

Italian crusader on defensive

By Robert Graham in Rome

The reputation of Mr Antonio Di Pietro, Italy's best known anti-corruption magistrate, has been put at risk by an unprecedented smear campaign conducted against him.

Over the weekend Mr Di Pietro announced he was giving up all the jobs he accepted when he resigned from the magistrature last December to defend his name. He also said he had handed over a dossier to Brescia magistrates both to answer any potential charges and to demand the identity of those behind the smear campaign.

Mr Di Pietro's move followed leaks that he had been placed under investigation by Brescia magistrates for alleged abuse of public office while conducting anti-corruption inquiries. It is the second time in six months he has been placed under investigation by Brescia magistrates on similar allegations.

On the previous occasion, Brescia magistrates decided there was no case to proceed. A similar conclusion was reached by inspectors sent last autumn by the previous government of Mr Silvio Berlusconi.

In a letter published yesterday by the daily La Repubblica, the former magistrate complained: "Many people are seeking to dig up dirt about my private life. Accordingly I have decided to place myself in the hands of the magistrature to assess my behaviour as well as identify those who are daily making vile accusations against me from the shadows."

Until now the main accusations of improper behaviour against Mr Di Pietro have come from General Giuseppe Cerciello, a senior officer in the Guardia di Finanza (financial police) who is standing trial along with other members of his force for allegedly extorting bribes from businessmen in return for favourable inspections of company books.

The Guardia di Finanza inquiry is one of the main investigations conducted by Milan magistrates. Gen Cerciello's lawyers last year managed to get the bulk of the case removed from Milan to the less aggressive judiciary in Brescia.

The allegations against Mr Di Pietro include accepting loans from Mr Giancarlo Gorrini, a Milan businessman who is accused of a L50bn (£19.4m) insurance fraud and for whom the ex-magistrates's wife's family had long acted as lawyers.

Yesterday Mr Di Pietro revealed he had been lent money in the 1980s by a friend of Mr Gorrini – L20m to buy a used Mercedes and then L100m to help purchase a house near Bergamo. Repayment of these loans was completed last October, he said.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621, Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
F

Bonn wants benzene cut to reduce car pollution

By Michael Lindemann in Bonn

Germany intends to ban all cars without catalytic convertors by 2000 and force the oil industry to cut the levels of benzene in petrol in an effort to reduce exhaust emissions which cause summer smog and other environmental problems, Ms Angela Merkel, environment minister, said.

About 15m German cars, or 40 per cent of the vehicle fleet, do not yet have catalytic convertors, although all cars registered since January 1 1993 have been obliged to have one, the ministry said.

Ms Merkel said she was already talking to German oil companies about cutting the level of benzene, a compound believed to cause cancer, to about 1 per cent per litre of petrol, down from about 2.1 per cent at present.

The cleaner petrol would then be sold more cheaply in the same way that unleaded petrol has been made more attractive for drivers.

Ms Merkel's initiatives are the latest of a series of measures to combat problems caused by car exhaust fumes.

Last month Germany said it would ban all traffic in certain regions of the country if ozone levels exceeded 270mg per cubic metre of air. Critics say these levels are too high even though ozone levels exceeded 300mg six times last year. The ban is designed specifically for summer months when higher temperatures combine with exhaust fumes to raise the levels of ozone, a noxious gas believed to cause a variety of health problems.

The ban may never come into force because the high ozone levels and other criteria may not be fulfilled, and because the opposition Social Democrats are likely to block it in favour of speed limits

However, there is broad political consensus that new laws are needed to reduce all sorts of exhaust emissions which are one of the main causes of rising levels of CO_2 and other greenhouse gases.

"Limited bans at times when ozone levels are especially high are not enough to reduce the environmental damage," Ms Merkel said in the Bild am Sonntag newspaper. "We have to seize the evil at its root."

Academic still on top of his Olympic task

By Kerin Hope in Athens

Prof Rigas Doganis marked his first 100 days at the helm of Olympic Airways, the struggling Greek state carrier, by announcing a small increase in the number of passengers but a large drop in operating losses for the first quarter of 1995.

A Greek expert on the international aviation industry, Prof Doganis left the UK's Cranfield Business School in February after being approached by the Greek transport ministry.

The Socialist government, having rejected a string of local candidates, appointed the professor as chairman and chief executive with a brief to implement a three-year restructuring plan agreed last year between the Socialist government and the European Commission.

Olympic cut first quarter losses by 64 per cent to Dr12bn (£33m), thanks to lower operating costs and improved productivity. Passenger traffic rose by 3.4 per cent on international routes and by 13.2 per cent on domestic routes.

Prof Doganis said: "We benefited from not having to pay interest charges following a large debt write-off, and also followed the international trend of a 3 to 4 per cent rise in airline traffic early this year."

In return for being allowed to write off Dr491bn in accumulated debts and receive a final capital injection of Dr54bn from the Greek state, Olympic undertook to cut 1,700 out of 10,600 jobs and freeze salaries for at least two years. The airline also agreed to cut unprofitable routes and restructure its ageing fleet.

Olympic was set up as Greece's national carrier by Aristotle Onassis, the Greek shipowner. After his death, the airline was taken over by the state and started to make heavy losses, which reached a record Dr135bn last year.

Aviation consultants blame poor decision-making by political appointees, together with government interference in day-to-day operations and union militancy, for Olympic's decline. The airline now carries only 12 per cent of traffic in and out of Greece and fills around 60 per cent of seats.

Some analysts doubt whether Prof Doganis's academic background in airline economics and reputation as an adviser to small state carriers are enough to compensate for lack of hands-on experience in running an airline.

However, he has succeeded in pushing through his scheme to reorganise Olympic's management after a bruising dispute with the board, a group of political personalities appointed by the Socialists and their conservative predecessors.

Olympic's 18 unions quietly accepted both the pay freeze and the job cuts, partly because of an attractive package, including tax cuts on pension payments, offered to workers willing to take early retirement.

EUROPEAN NEWS DIGEST

Hungary hopes for IMF deal

The International Monetary Fund will help Hungary's difficult transition to a market economy with a stand-by loan, the Hungarian prime minister, Mr Gyula Horn, said yesterday.

"We will first sign a statement of accord, then a stand-by loan agreement will come soon," Mr Horn said before leaving to begin a visit to the US, where he is expected to meet the IMF director, Mr Michel Camdessus. "By the end of the year I expect we will sign a three-year loan agreement," he added.

Hungary, which has substantial foreign debts, has been trying for years to conclude a long-term agreement with the IMF that would help Budapest obtain loans both from the Fund itself and possibly from other lenders on better terms than it can get now.

The government's austerity plan, which won praise from the IMF, was essential to try to bring some balance to public finances and show the international financial institutions that Budapest was on the right track.

Mr Horn made it clear that he views the IMF accord as a direct response to the austerity plan, which cut into the prime minister standing in opinion polls and strained relations between his Socialist party and its trade union allies.

Hungary's net foreign debt stood at $20bn (£12.7)in February and its debt rating is below investment grade, excluding it from borrowing from many pension and investment funds.

The IMF froze a standby accord in 1992 after it became clear that Budapest would overshoot its required budget deficit target. *Reuter, Budapest*

Costs worry German companies

German entrepreneurs are the most concerned in Europe over the competitive damage caused to their companies by employment costs and the power of their customers to drive hard bargains, according to a report* published today.

Managers of small and medium-sized companies in the other five countries surveyed – France, Italy the UK and Spain – fear the strength of their competitors rather than customers, says the report from 3i, the UK venture capital company.

Seventy-three per cent of German managers said that the costs of employment, the social costs, made the company less competitive. The equivalent figure in the UK, which was at the other end of the scale, was 52 per cent.

Manufacturers from the six countries felt the effects of social costs most, with those in transport feeling it least.

All managers said competition from Europe was the most important, followed by the US. UK managers, however, rated European competition less important than did their counterparts in continental Europe. *Daniel Green, London.*

**Competition in Europe, 3i European Enterprise Centre, NB House, Stilebrook Road Olney, Bucks, MK46 5EA, UK.*

Bonn to improve Prague ties

Germany will step up efforts to improve relations with the Czech Republic and draw up a treaty which will finally resolve a series of disagreements dating from the Nazi occupation between 1938-45, Mr Klaus Kinkel, Germany's foreign minister, said yesterday.

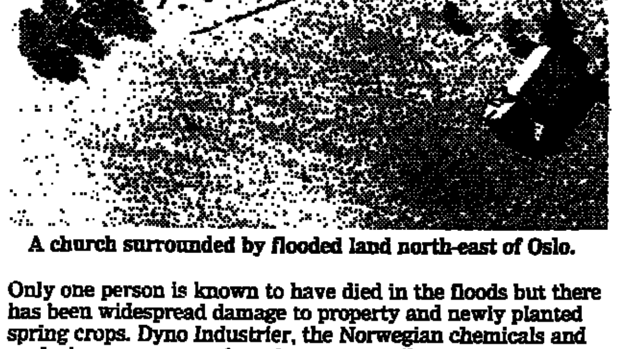
After several years, when both sides have tried to manoeuvre closer to each other, Mr Kinkel said a breakthrough was approaching. "The people of the Czech Republic can rely on the fact that in the next weeks we will find an acceptable solution which will do justice to both sides," he told 20,000 people at the annual rally of the Transylvanian Saxons – descendants of ethnic Germans who had lived for several centuries in Transylvania.

Relations between the two neighbours are particularly topical at this time of the year during the annual rallies of Germans expelled from eastern Europe after 1945, including about 3m Sudeten Germans who used to live in parts of the present Czech Republic. *Michael Lindemann, Bonn.*

Norway hit by heavy flooding

Nearly 6,000 Norwegian military and civil defence forces were put on alert at the weekend as the country's worst floods in more than a century swept through two counties north-east of Oslo closing roads and railways between the capital city and Trondheim.

The floods were caused by later than normal snow combined with high spring temperatures and heavy rains. Meteorologists forecast similar weather in the next few days.



A church surrounded by flooded land north-east of Oslo.

Only one person is known to have died in the floods but there has been widespread damage to property and newly planted spring crops. Dyno Industrier, the Norwegian chemicals and explosives group, was forced to temporarily close its largest domestic chemicals production facility at the Lillestroem Industrial Centre.

The last natural catastrophe to hit Norway was in 1992 when a hurricane swept the north-west coast causing damages of an estimated NKr1.5bn (£151m). *Karen Fossli, Oslo.*

Italian inflation increases

Italy's annual inflation reached 5.5 per cent in May, the highest level since 1992, according to figures released over the weekend by Istat, the official statistics institute.

The official figures confirmed the trend already evidenced in preliminary data from leading cities. The monthly increases was 0.6 per cent, double the same period last year.

Inflation stopped falling last August but the pressure on prices has really begum to be felt since the beginning of the year which opened on an annualised rate of 3.8 per cent in January. Economists are now predicting inflation could reach 6 per cent by the summer.

The threat from inflation prompted the Bank of Italy to raise the discount rate 0.75 per cent to 9 percent effective as of May 29 and last week Mr Antonio Fazio, the governor, warned more rises could be on the way if the prices trend were not inverted quickly. *Robert Graham, Rome.*

Turkish wholesale inflation falls

Turkish year-on-year wholesale price inflation fell to a 14-month low of 78.4 per cent in May from 91.2 per cent in April, the State Institute of Statistics said.

Wholesale prices charged to retailers were up by 1.7 per cent last month, the lowest monthly increase since last July. Economists say it will be impossible for the government to achieve its target of 40 per cent wholesale price inflation this year. They forecast 1995 wholesale inflation, Turkey's main index for measuring price pressures, of 75-95 per cent.

The institute also said consumer prices rose 3.2 per cent in May and 82.4 per cent in the 12 months to May. Inflation hit 150 per cent last year and a record 156.8 per cent in February despite an anti-inflationary economic stabilisation programme launched in April 1994. Inflation has declined since then mainly because of the government's tight monetary policy and lower budget deficits. *Reuter, Ankara.*

NEWS: EUROPE

EU suffers middle-aged angst

By Lionel Barber in Taormina, Sicily

Countdown to 1996

Like many 40th anniversary parties, there was a touch of middle-aged angst about the weekend celebrations in Messina. It was held to commemorate the conference in June 1955 which laid the groundwork for the European Economic Community.

This was not the fault of the Italian hosts. They provided comprehensive hospitality and police security for dozens of Euro-dignitaries, including a spectacular Friday night ballet inside the ruins of a Greek theatre, with music from Mahler echoing high above the Sicilian coast.

Nor can any blame be attached to Mr Carlos Westendorp, the senior Spanish diplomat. His iron-fisted chairmanship ensured that the second scheduled event in Messina – the inauguration of the Reflection Group charged with preparing next year's inter-governmental conference to review the Maastricht treaty – also passed off smoothly.

The difficulty begins with the question which the European Union has set itself for the IGC. What is the common cause and vision of the 15 member states, and how do they propose to respond to the external challenges confronting the Union?

These are not challenges which the EU can shirk. Any doubts were soon dispelled on Friday afternoon, as the Bosnian crisis intruded constantly with news flashes of the fate of the hostages and the shooting down of the US F-15 aircraft. Forty years ago, the founding member states of the EU – France, Germany, Italy and the Benelux countries – came together in Messina to pave the way for the 1958 treaty of Rome.

Mr Klaus Haensch, president of the European Parliament, offered a timely reminder to all that the founding fathers such as Jean Monnet and Paul-Henri Spaak saw their task in moral as well as historical terms: Franco-German reconciliation in a framework of European integration. The EU today is searching for a similar historic mission.

> No important changes in Maastricht means turning the Union into a free-trade zone and a reversion to Europe of the 19th century

On Saturday, Mr Westendorp put forward his own suggestion: the redesign of the EU to deal with enlargement – to take in the central and eastern European countries, Cyprus and Malta, as well as the Baltic states.

For a Spaniard, whose country risks losing generous EU regional aid once enlargement to the east takes place, this sounds like bold talk. It is. But like most of his partners in the Reflection Group, Mr Westendorp also understands that the spur of enlargement also serves to prod EU governments beyond making only minimal changes to the Maastricht treaty.

The trouble is that there are widely differing views on how much reform is required to run a Union of up to 27 member states. France and Germany speak for most when they argue that some changes are necessary to strengthen EU decision-making capacity.

Mr Jacques Santer, president of the European Commission, warns constantly that no change means turning the Union into a free-trade zone and a reversion to Europe of the 19th century – the code for a revival of balance-of-power politics and German nationalism. But the British, once again, are unconvinced. Mr Douglas Hurd, the UK foreign secretary, has acknowledged that Britain paid for its "patronising and pessimistic" attitude toward Europe in the 1950s. But 1995 was no time for another great leap forward in European integration.

"We are the carpenters, the craftsmen of Europe, not the architects," said Mr Hurd. He knows, of course, that some of his European colleagues suspect that the real name of the British game is sabotage.

On the surface, Mr David Davis, minister of state at the Foreign Office, with his robust physical presence, makes a plausible demolition expert. He is the UK representative on the Reflection Group.

On Saturday afternoon, Mr Davis offered reporters a taste of the tough British position ahead of next year's IGC. Britain opposes any extension of majority voting, he said. Britain wants a greater role for national parliaments rather than an extension of the powers of the European Parliament. Britain wants a more accountable European Commission, and an EU which is more relevant to the people: "This the ground that favours our arguments."

Britain also wants a more "flexible" Europe. Mr Davis cited the UK's treaty opt-out of monetary union; the UK's non-participation in the social charter; and the principle of mutual recognition rather than Brussels-mandated harmonisation in the formation of the single European market.

This will be the "big British idea" in 1996, though the challenge will be to sell it in positive terms; but it is still unclear if it is enough to secure a deal with her EU partners. The orthodox integrationists fear that such "flexibility" could turn into Europe *à la carte*, a loosening of obligations, and a dilution of the power of the Union as a commercial and political negotiator on behalf of the member states.

Hence the talk in the EU is that there is little chance of an agreement at the IGC until after the UK general election, due by April 1997 at the latest – and a change from the Conservative government led by Mr John Major.

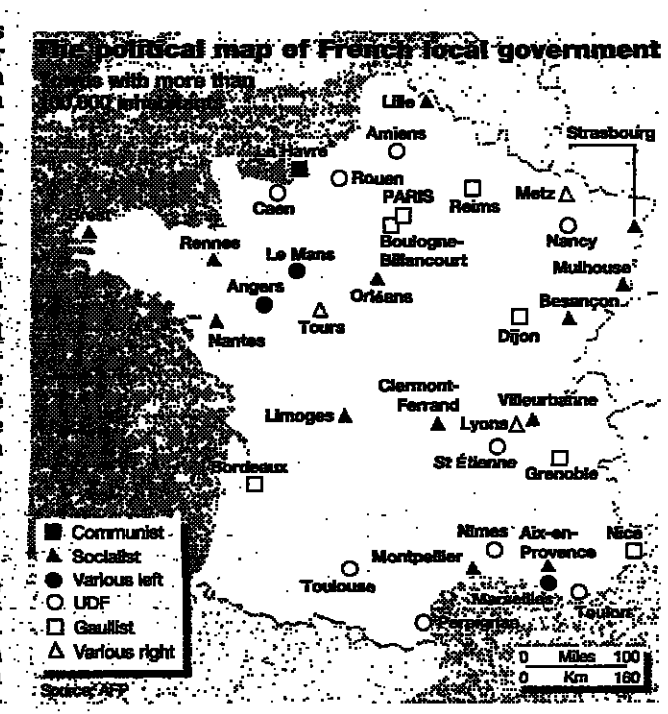
The real IGC bargaining will not start until next spring at the earliest; but it is a measure of the distrust which has grown since the last Maastricht negotiation when Mr Major proclaimed "game, set and match" for Britain.

John Ridding on why many French mayors are not running for re-election next week

Service excluded at hôtel de ville

The prime minister's office is not enough for Mr Alain Juppé. In between crisis meetings on Bosnia and how to curb unemployment, he has been on the stump in the south-west pressing his attempt to become mayor of Bordeaux in next weekend's municipal elections.

Mr Juppé is not alone in his quest. Many prominent French politicians are battling for town hall power. Mr Raymond Barre, the former prime minister, is seeking to capture Lyons, while Ms Martine Aubry, the rising star of the Socialist party, is running on the party's list in Lille. Mr Jacques Chirac, the new Gaullist president, made his leap to the Elysée palace from the Paris town hall.



The contests, and the calibre of the candidates, demonstrates the traditional importance of the mayor's office in French political life. "It is a key power base," says Mr Pascal Perrineau, a politics professor at the Sciences-Po (Institut des Sciences Politiques). "If you ask French people which public figure they feel closest to they will probably say their mayor," he adds, referring to the fact that France's 36,000 communes, often based on the parishes of the *ancien régime*, have long formed the foundation of the French political structure.

The communes have also formed a central element in the devolution of administrative and economic activity away from Paris. The decentralisation laws of 1982 and 1983, and a series of subsequent reforms, have brought more responsibilities and more money to the the municipal level. The annual budget of Bordeaux is FFr1.9bn (£230m); that of Lyons is FFr3.2bn. And where there is money, there is power.

But in many areas, there is also disenchantment. Despite the high-profile battles for the plum posts, all is not well at the hôtel de ville. "We are in a period of crisis," says Mr Jean-Paul Delevoye, president of the Association of French Mayors (AMF). "The role of the office is facing fundamental change." The most visible evidence of malaise lies in a spate of corruption investigations which have shaken many mayors, including some of the most prominent, over the past 18 months.

Mr Alain Carignon has been forced to step down as mayor of Grenoble, having spent more than six months in jail pending a probe into allegations of illicit political financing. In Lyons, Mr Michel Noir is on trial for embezzlement and has renounced plans to stand in next week's election. Several other cases involving the misappropriation of public funds by mayors and municipal officials have highlighted the temptations and the risks of economic decentralisation.

For Mr Delevoye, the problem of corruption is real, but relatively limited. "The big cases tarnish the image of the office," he says. "But the problem is not so widespread." Much more serious, he believes, is the disaffection among mayors, particularly in the smaller municipalities and in rural areas.

Estimates by the AMF suggest that about 40 per cent of incumbent mayors will not stand again for office in the forthcoming elections, a much higher proportion than the usual 20-30 per cent.

The increase is partly due to a higher number of incumbents have reached retirement age. But it is also due to disillusionment. "The attraction of the local official is in free fall," says Mr Delevoye.

The reasons are simple. Mayors have been burdened with greater responsibility and legal risks. But their financial and logistical resources have not kept pace. The overall grant from the state, which typically accounts for 25-40 per cent of the town budget, rose from FFr96bn in 1993 to FFr99bn last year, but expenditure has risen faster.

As a result, many towns have run up substantial debts or have been forced to increase local taxes.

It is not just the fiscal charge that has risen. "The administrative load has become too heavy," says Mrs Marie-Anne Gautier, mayor for the past 18 years of Saint-Laurent-du-Mottay, a town of 700 inhabitants in the Maine et Loire department. "We have to be specialists in the environment, in urban and social problems and in pollution." Like 77 others of the 364 mayors in the department, she will not be standing next weekend.

Many mayors face more serious concerns than Mrs Gautier. A reform of the French penal code, which took effect last year, means that mayors can be personally liable for accidents or violations of regulations resulting on or from municipal properties. This is not an idle threat. About 2,000 local councillors are ensnared in cases ranging from pollution to physical injuries.

For Mr Delevoye, a more immediate danger is the weakening of a pillar of local government at a particularly sensitive time.

"The communes and the departments must deal increasingly with serious social issues such as unemployment and homelessness," he says.

To do so, requires committed and competent mayors across the country, and not just in big cities. For Mr Juppé, whether in his Paris or Bordeaux office, that may provide cause for concern.

Schengen strife on friendship bridge

By Judy Dempsey in Görlitz/Zgorzelec

The inhabitants of Germany's Görlitz and Poland's Zgorzelec used to mock the name of the bridge linking the two cities. It spans the river Neisse, the border which demarcated Germany's new frontiers after 1945 and divided this eleventh century city.

Called the "Brücke der Freundschaft", or Bridge of Friendship, there was little friendship, even among communist comrades. During the Cold War, the borders between Görlitz, in the southern corner of eastern Germany, and Zgorzelec were tightly controlled on both sides by guards, dogs, watchtowers and barbed wire.

All that changed after the Berlin Wall was torn down in November 1989, followed by German reunification 11 months later and the abolition of visas between Germany and Poland in 1991.

"The change was wonderful," said Mr Ulf Grossmann, the deputy mayor of Görlitz. "The wall had finally disappeared. People could cross the bridge without hindrance. Contacts and trade started to flourish." In the first year after reunification, more than 6m people crossed the bridge. By 1992, it had increased to 14m.

But then came the Schengen agreement. Signed in March between seven European Union countries, and since extended, it allowed passport-free travel between participating nations, including Germany. It also meant that the frontiers between Germany and eastern Europe were tightened to prevent citizens from third countries entering western Europe illegally.

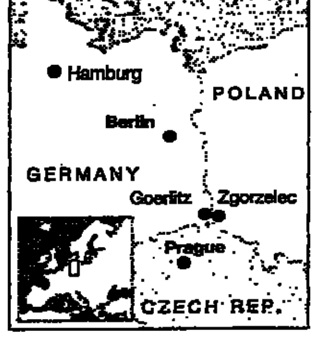
"I am very disappointed with Schengen," said Mr Grossmann, "The delays at the border can take several hours. This is very bad for business. Germans and Poles are losing money because they do not know how long they will have to wait to cross."

It is not only the delays which upset Mr Grossmann. It is the psychological affect Schengen is having on the citizens of Zgorzelec.

"We think the Poles are made to feel like second-class citizens every time they want to cross into Görlitz," he said. "Since German reunification, both sides really tried for better co-operation. Schengen is hindering this."

A short walk across the Bridge of Friendship into Zgorzelec and along the tree-lined Domańskiego street is the office of Mr Janusz-Lech Górski, the city's deputy mayor. A senior member of the local frontier guards before reunification, he had expected great improvements from the opening of the borders.

"It is disgraceful what is happening since Schengen," said Mr Górski. "Each time private citizens from Zgorzelec want to go to Görlitz, even for a night to the cinema or theatre, they have to face delays at the border. They are searched. And not only that. The German border guards insist they must have DM50 (£22) in their pocket."



Few Poles from Zgorzelec have DM50 in German currency. The average monthly wage is DM350. "So much for promises that the European Union wants to expands it borders with eastern Europe," Mr Górski said.

The German border guards say Schengen is working, although there are a few hiccups. "We are required to control everyone – 100 per cent," said Mr Dieter Otte, head of the border guards unit on the Görlitz side. Mr Otte says the main impact of Schengen is that the guards have more work. "Between 20,000 and 22,000 people cross the bridge each day. We got 26 extra guards in March. We now have 159 people. We will get an additional 16 staff in June to cope with the traffic."

He also believes the new controls have brought advantages. "Smuggling has been reduced. We have confiscated about 5m cigarettes since the agreement," he said. Germans can buy cigarettes in Zgorzelec for DM12-DM15 for a pack of 200, compared with DM5 for a packet of 20 in Germany.

Mr Otte also pointed out that, once an east European had entered Germany, travel was unhindered throughout the Schengen nations. "It is ridiculous to think that Schengen means a new wall."

But for Poles, besides the humiliation of having to show a DM50 note, Schengen also means a loss of income due to increased traffic delays.

Mr Lech Konarski, a 31-year-old builder from Zgorzelec, set up his own business three years ago. "Schengen is a hassle," he explained from his new Volkswagen van. "I cross to Görlitz every day. I have a contract with a German firm. I have a special work pass. The Germans accept if I am late some days. They need my cheap labour. I charge DM10 an hour. It's at least four times higher in Görlitz," he explained.

Trying to retain and promote these economic contacts are crucial for both sides. Unemployment is officially 18 per cent in Görlitz and well over 20 per cent in Zgorzelec. But for Mr Górski, the impediments of Schengen could have other negative affects.

"Schengen could encourage a kind of nationalist anti-German backlash among Poles. These petty demands for DM50 and controls have to stop," he said, pausing to point to the sheaf of letters complaining about the discrimination Poles endure on the Bridge of Friendship.

Japan parties seek war apology deal

By William Dawkins in Tokyo

Mr Tomiichi Murayama, Japan's prime minister, will try this week to defuse the greatest threat yet to his political survival, a self-generated row over Japan's wartime record.

The three leaders of the government coalition partners meet today in another attempt to compromise over Mr Murayama's proposal for parliament to issue a formal apology over Japan's behaviour in the second world war, so as to commemorate the 50th anniversary this year of the war's end.

This long disagreement was exacerbated last week when senior members of Mr Murayama's Social Democratic party hinted that they might leave the government, and thus cause its collapse, if the largest coalition member, the Liberal Democratic party, continued to oppose an apology.

Government officials fear this indication of Japanese ambivalence over the war will be diplomatic embarrassment. A television poll released yesterday showed just over 55 per cent of the electorate wanting a national apology but nearly 29 per cent believing it to be unnecessary.

The LDP, sensitive to families of the war dead, said it could only accept a diluted version, offering condolences to those who suffered in the war but without an outright apology.

Talks between the LDP, the SDP and the third coalition member, the pacifist-inclined New Harbinger party, broke down late on Friday.

The LDP offered the following compromise on Saturday: "At the time when major powers were competing in aggressive acts and colonial rules over other countries, Japan was also embroiled in the turmoil, thought about its own safety and eventually went to war against many countries."

Mr Murayama immediately rejected this draft apology on the grounds that it would convince neither the Japanese nor their Asian neighbours.

He still hopes, however, for an accord before he attends the summit of the group of seven industrialised nations in Canada 10 days hence.

The LDP and the SDP had seemed to be prepared to set their various differences aside so as to sustain the coalition.

The LDP was less encumbered by ideology than its partner, which has over the past year compliantly dropped its opposition to tax increases and to the existence of the Japanese military, so as to satisfy the LDP.

But the dispute over the war has exposed an emotive subject on which both sides, enemies until they formed a government nearly a year ago, find it hard to compromise.

This is a "matter of historical views held by individuals", said a senior LDP politician on television.

Mr Churyo Morii, chairman of the SDP's parliamentary affairs committee, said on television that the party was determined to obtain an apology over the war.

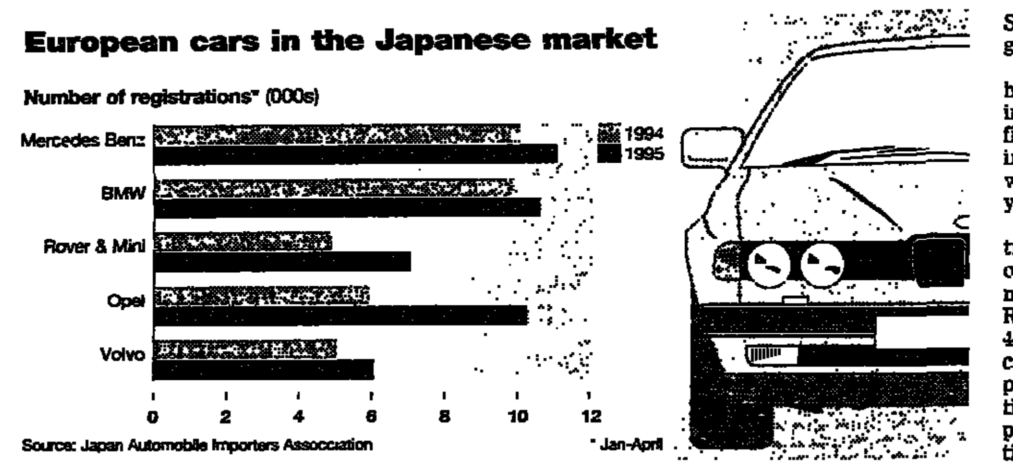
But he later said that this determination only applied to the parliamentary resolution and not to the coalition's survival.

Learning to drive the foreigners' way

Michiyo Nakamoto finds greater acceptance of imported cars among Japanese

Mr Takahide Iyama, a graphic designer based in Tokyo, surveys the interior of his brand new Rover 416 station wagon. "The seats are all leather and the price is reasonable, too," he says with a proud smile.

European car makers, from Rover to Volvo to Mercedes-Benz, have been finding an increasingly eager reception among Japanese consumers for several years. The growing interest in foreign cars has helped many of them reap handsome profits in what may well be the most difficult car market in the world.



The success of Europe's car companies has also provided strong ammunition for Japanese trade negotiators in their furious debate with US officials over whether Japan's car market is closed to foreign imports.

The recent strength of demand for European cars has helped to bolster the Japanese argument that the country's market is open and that, with the right product and with enough effort, foreign car makers can do just as well in Japan as elsewhere.

Most European car executives in Japan agree that there are no formal barriers keeping foreign cars out of Japan's market, the second largest in the world. However, they are also quick to point out that, even without formal barriers such as import quotas, there are formidable obstacles to doing business in Japan.

"By any normal, man-in-the-street type of description, the Japanese market is closed," the president of one European car company says categorically.

Most of the hurdles foreign companies face in Japan are not the result of formal rules which could be cited as anti-competitive, and for which pressure could be exerted on the Japanese government to abolish. For example, one of the biggest obstacles is a low level of recognition among Japanese consumers. This arises from the country's long history of being virtually closed to imported vehicles.

"Two generations of children have grown up without even seeing a foreign car," says one European car executive. "Add to that the fact that Japanese consumers and dealers are very conservative" and it takes a tremendous effort, as well as a huge amount of money, to win consumer familiarity.

The high cost of building that recognition – among consumers and among dealers – and of setting up everything from a distribution network to a parts and maintenance service – is one of the biggest hurdles foreign car companies face in expanding in Japan, European car officials say.

In its dispute with Japan, the US has cited the close ties Japanese car makers have with dealers as a major impediment.

Many European car makers counter that exclusive dealership arrangements are not the real problem. Both Mercedes-Benz and Rover have been approached by Japanese dealers, including those in the close-knit *keiretsu* groups of other car companies. Volkswagen Audi has an agreement with Toyota which has enabled the German car group to sell through Toyota dealers as well as its own independent dealer network. Of the 176 dealers Volkswagen Audi has signed up in less than five years, Toyota dealers number 95.

Rather than the closed nature of the distribution system, it is the high cost involved in building up a network and the long time it takes to secure a reasonable return on investment that make it difficult for foreign companies trying to expand in Japan, European car officials say.

"We are running the most expensive distribution operation in the world," says Mr Rainer Jahn, president of Mercedes-Benz Japan, which is often cited as a shining example of foreign success in the Japanese market. "Nowhere do we spend as much on distribution as we do in Japan."

Also expensive is the need to set up inspection, maintenance and parts supply facilities in Japan to meet the standards of demanding Japanese car owners. At Volkswagen Audi's vehicle preparation centre, every car goes through a second pre-delivery inspection where the finish is meticulously checked for the smallest scratch. Volkswagen Audi has invested in training mechanics and has opened a central parts depot which lets it process 97 per cent of orders within 24 hours. "If we are going to get users to switch from Japanese cars, we have to offer the same quality and service as domestic makers," says Mr Minoru Shimizu, manager of Volswagen Audi's general secretariat.

European car makers which have made these kinds of investments are reaping benefits from the growing demand in Japan for imported cars, which has been boosted by the yen's rise.

Volkswagen Audi saw registrations surge 42 per cent year-on-year, in the first four months of this year, while Rover registrations increased 44 per cent. Volvo, the Swedish car maker and Opel, which is part of GM, increased registrations in the same period by 20 per cent and 73 per cent respectively.

"If you stay for the long term and invest, it always pays," notes Mr Peter Woods, president of Rover Japan.

Many European car makers also point out that changing consumer attitudes and deregulatory measures by the government are having a positive impact. The Japanese government recently put together measures aimed to improve the business environment for foreign companies importing to Japan.

But the European view is that there is still much that could be done by the Japanese government to help foreign car makers expand in Japan, which in turn would help reduce the country's huge trade surplus. High on any list of measures European car makers would like is financial incentives to dealers, such as tax advantages, to encourage them to handle imported cars at a lower cost to the European manufacturers.

Easing homologation rules, which require foreign car makers to meet stringent Japanese standards, would help cut costs of operating in Japan, while greater government procurement of foreign cars would send a positive signal.

Sir Leon Brittan, vice-president of the European Commission, arrived in Tokyo at the weekend with a European business delegation representing, among others, the EU's car, telecoms, aviation and banking industries, Michiyo Nakamoto reports from Tokyo. The delegation is to discuss ways for Japan and Europe to increase penetration of each other's markets. Sir Leon will explain to Japanese ministers the EU's new policy on Japan and prepare the ground for the EU-Japan summit on June 19.

US rules on unfair trade to be simplified

By Nancy Dunne in Washington

The US Commerce Department is moving to simplify and streamline its controversial procedures to determine whether foreign companies are unfairly underpricing their goods in US markets.

Ms Sue Esserman, departmental official for administering the "unfair trade" law, said Commerce was not conforming its practices to changes agreed in the Uruguay Round, but going even further than the round required.

The department is hoping "to simplify and reduce the costs and burdens" on foreign companies accused of receiving government subsidies or "dumping" their goods in the US market or industry.

Under the dumping regime, foreign companies accused of selling goods in the US at below cost of production are subject to duties, to compensate for injury suffered by US companies. Countervailing duties are imposed on companies which receive foreign government subsidies to the detriment of US industries.

The department's implementation of its anti-dumping and countervailing duty laws has been much criticised by foreign governments and by lawyers for foreign companies. The procedures have been considered skewed in favour of US companies filing complaints.

US officials insist that their country has the world's most transparent and detailed system, giving accused companies extensive rights of reply and an appeals process in the US. Cases may also be appealed to a dispute settlement panel of the World Trade Organisation.

In the Uruguay Round, various were negotiated to make the laws more equitable. This was in part driven by the growing use of dumping and countervailing duties laws by developing countries against US, European and Japanese companies.

Ms Esserman said one change, not required by the round, would simplify the questionnaires required by the foreign defendants..

She said the Commerce Department was taking into consideration, for the first time, foreign and US companies' comments before writing the new regulations. From the comments, the department will issue proposed new rules next autumn for more comment. Final rules will be out next year.

One of the key regulations to be developed will specify the part of currency fluctuations in determining whether products have been priced unfairly in the US market. Companies have complained for years that the US has failed to take such fluctuations into consideration.

Some of the rules foreign companies consider most egregious already are in effect, being in the legislation implementing the Uruguay Round. No longer can the Commerce Department arbitrarily assume that a foreign company must make at least an 8 per cent profit so as to be considered not dumping its products. Profits are now based on a company's profit history in the US.

Another change is that duties imposed on companies in a dumping suit can now last five years at most, after which dumping charges have to be refiled. Duties have been imposed indefinitely, but subject to yearly review.

Malaysia pledged to pursue zero inflation

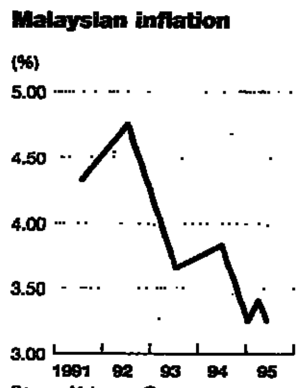
By Kieran Cooke in Kuala Lumpur

Where others have tried and failed, Dr Mahathir Mohamad, the Malaysian prime minister, is determined to succeed. He launched a nationwide battle against rising prices at the weekend, saying Malaysia could achieve zero inflation.

He also said the country's economy would not only continue growing at its present high pace but expand even more rapidly.

"Nobody will lose from zero inflation," said Dr Mahathir, unveiling the campaign's logo. "Definitely, the country's economy will grow at a more rapid pace and all of us can reap the fruits of it."

The Malaysian economy has grown by more than 8 per cent in each of the last seven years. Dr Mahathir said he has studied the books and, despite such high growth, his zero-inflation target is achievable.



Official figures show Malaysia with a good record in the battle against rising prices. Bank Negara, the central bank, says that inflation, on an annualised basis, was 3.3 per cent for the first four months of the year. Inflation last year was put at 3.7 per cent.

"One of the reasons for the campaign could be that very few people believe the government figures," says a local economist.

Analysts say the official figures do not reflect the substantial disparities between the cost of consumer goods in urban and rural areas. Also, the figures are highly selective: they do not include the cost of housing, which has gone up in some areas of Kuala Lumpur and of other cities by as much as 40 per cent in the last year.

Other, more fundamental issues lay behind the campaign. The government is concerned about a current account deficit which last year rose to M$11.6bn ($4.7bn), or 6.6 per cent of GNP, from M$6.3bn in 1993, or 4.1 per cent of GNP. Increased spending on imported consumer goods was one reason for the rise.

Merchandise imports rose in 1994 by 32 per cent – the biggest increase since 1986.

Wages and productivity are other factors behind the government's anti-inflation campaign. Wage rates are crucial in the maintenance of Malaysia's competitiveness and its ability to continue to attract large foreign manufacturing investment. After eight years of fast growth, there are serious labour shortages in almost every sector. The result has been rising wage rates and more inflation.

A national survey of the manufacturing industry found that, in the first six months of last year, wages rose 7.3 per cent while productivity increased by only 2 per cent.

The government has won fans among consumers by revoking recent price rises by the semi-privatised electricity utility. However, the move has caused nervousness among local and foreign investors in Malaysia's privatisation.

So far, the government has stopped short of putting up interest rates or other monetary measures.

New players sweep into the Philippines

Edward Luce assesses the potential domestic impact of 10 big foreign banks arriving in Manila

The Philippine banking sector is about to undergo a seachange. In the remainder of 1995, 10 of the world's largest banks will set up branches in Manila, following the central bank's decision this year to expose Philippine banks to greater foreign competition.

Banking specialists say the arrival of foreign banks will challenge traditional banking practices in the Philippines and transform the country's small capital markets.

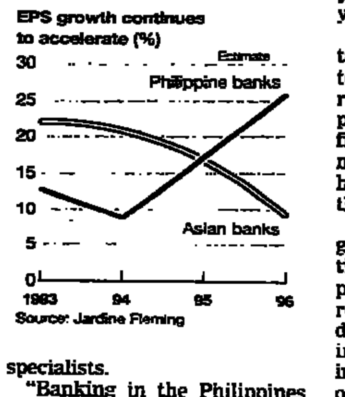
The foreign banks arriving in Manila are Fuji Bank, the Bank of Tokyo, ING Bank, ANZ, Development Bank of Singapore, Korea Exchange Bank, Bangkok Bank, Taiwan's Commercial Bank of China, Deutsche Bank, and Chemical Bank of the US.

"The new licensees are keen to introduce new commercial instruments, so we should see quite a rapid development of the Philippine capital markets," said Roman Azanza, chairman of the capital market development council. "This will include derivatives, forward options, new debt instruments and a much more active foreign exchange market."

Since 1949, only Citibank, the Hongkong and Shanghai Banking Corporation, the Bank of America, and Standard and Chartered have been permitted to offer retail and wholesale banking services.

These banks have operated in the Philippines with one of the most crowded domestic banking sectors in the world, which includes more than 800 rural credit houses

This cosy arrangement will gradually disappear as the new licensees convert their Manila recruitment offices into fully-fledged branches. The fact that 28 out of the world's 100 largest banks had applied for the 10 licences suggests that the Philippines is ripe for a dramatic growth in bank lending, say specialists.



"Banking in the Philippines is at about the stage Thailand was at five years ago," said Mr David Hodgkinson, chief of the HSBC in Manila. "Since then, Thailand's banking sector has altered beyond recognition. If the Philippine economy sustains current growth rates, the banking sector will continue to expand at about 30 per cent a year, as it has in the last two years."

Apart from the boost to capital markets, the entry of the ten new banks – which are required to use an initial 210m pesos (£5.5m) to set up their first branches and can create a maximum of six – is meant to have a much wider effect on the Philippine economy.

One of the government's biggest headaches is a low domestic savings rate which, at 18 per cent, is about half the regional average. This has driven up the cost of borrowing, resulting in a meagre investment rate. At 29 per cent of GDP, the Philippine investment rate is again about half that of the region's more dynamic economies.

The central bank hopes that the greater competition from the new licensees will eventually narrow the spread between saving and lending rates, and improve the quality of Philippine banking practice.

At 15 to 17 per cent, prime lending rates are considered to be relatively steep against an inflation rate of 6.5 per cent. By contrast, at 6 to 9 per cent, interest rates on deposits are seen as too low to attract greater savings.

"The arrival of 10 new foreign banks will push down the cost of banking intermediation," said Mr Alberto Reyes, director of the central bank's supervision branch. "This will boost lending, result in more efficient banking practices and – we hope – lead to a higher domestic savings rate."

Another objective is to increase foreign direct investment in the Philippines. Anecdotal evidence suggests that the new entrants were motivated to compete for the licences by the opportunity to service large corporate clients from their home countries investing in the Philippines.

The much-awaited "third wave" of Japanese regional investment, after the appreciation of the yen, is expected to be facilitated by the arrival of the Bank of Tokyo and Fuji Bank in Manila. Japanese companies have much closer relationships with their banks than most of their European and US counterparts.

In common with the other eight licensees, the two Japanese banks have decided to open only one branch in Makati (Manila's business district) and to concentrate initially on wholesale corporate services as opposed to personal banking. So, the first competitive pressures will be felt in the corporate sector, say banking specialists.

For the moment, though, the most notable effect of the new arrivals has been the boost to local salaries. A study by the HSBC shows pay for bank managers has risen by about 15 per cent since the licences were awarded.

INTERNATIONAL NEWS DIGEST

US-Japan air talks impasse

An attempt to make progress on a US-Japan row over air transport, their other main dispute after cars, failed over the weekend. Mr Shizuka Kamei, the Japanese transport minister, refused a US request for 11 new cargo routes to Asian destinations via Tokyo, after a one and a half hour telephone conversation on Saturday. However, they agreed to resume talks in the near future.

Japanese officials said they did not believe this latest impasse would bring any closer US threats to take economic sanctions in the air transport row.

The two sides are seeking to update and renew a bilateral aviation treaty, originating from 1952, which gives three US carriers "beyond rights", under which they are permitted to fly people and cargo to other Asian destinations via Japan. East Asian countries' fast economic growth has increased enormously the value of such rights since the treaty was first signed. *William Dawkins, Tokyo*

Aviation accord eludes US and UK

The UK and the US have failed to reach agreement on a new aviation services accord. The issues dividing the two sides, however, are believed to be relatively minor. Mr Brian Mawhinney, the UK transport secretary, said at the weekend he hoped the outstanding differences could be resolved. The talks, in Washington at the end of last week, were the fourth since air services negotiations resumed in March. This year's talks have been the first since the US walked out of negotiations in December 1993.

The most recent round of talks focused on a request by United Airlines to fly from Chicago to London's Heathrow airport. The UK asked for British Airways permission to continue its second daily flight between Heathrow and Philadelphia. The UK also wants the US to relax its policy of permitting its civil servants to travel only on US airlines. *Michael Skapinker, London*

Morocco rejects EU fish proposals

European Union negotiators left Morocco on Saturday without a new fishing accord after Morocco threw out their proposals on quotas for the mainly-Spanish fleet. The fifth round of negotiations for a three-year accord to replace one which expired on April 30 ended inconclusively on Friday night. No date was set for further talks, although the two sides agreed to meet "in the near future" after consultations, the Moroccan news agency MAP reported.

Morocco said before the talks that it would not budge on its demands for quota cuts of 30 per cent, 50 per cent and 65 per cent, depending on species. A Moroccan delegate said the EU team had proposed cuts of 10 per cent to 30 per cent, which were rejected. A Moroccan official described the atmosphere during the two days of talks as very tense.

The Moroccan accord is the EU's most important external fisheries agreement, providing a livelihood for 28,000 Spanish fishermen and fish processors in southern Spain, Portugal and the Canary Islands.

The EU fishing fleet, which included 650 Spanish vessels, was ordered out of Morocco's 200-mile economic zone at the end of April, prompting a backlash from Spanish fishermen, who have blockaded imports of fish from Morocco in southern Spain. *Reuter, Rabat*

E Timor talks 'break new ground'

East Timorese activists yesterday began a second day of UN-sponsored talks aimed at easing tensions in the troubled territory as a key dissident called for the withdrawal of Indonesian troops. Mr Jose Ramos-Horta, an overseas resistance leader, said the four days of discussions bringing together some 30 Timorese of different political shades broke new ground. But he insisted there could be no solution to East Timor's problems as long as Indonesia continued to occupy the territory it forcibly annexed in 1976.

Meanwhile, a leading East Timorese activist said he and several others would walk out of the talks if they did not address key political issues such as that of a referendum in the territory. UN officials have stressed the meeting is not a negotiating forum and is not intended to replace ministerial talks between Indonesia and Portugal under the auspices of the UN.

Indonesian delegates expressed the hope that the informal talks could go some way to improving relations, particularly on economic and cultural issues. Indonesia invaded the former Portuguese colony of East Timor in 1975 and annexed it a year later. The UN does not recognise Indonesian sovereignty over the territory and considers Lisbon to be the administering authority. *Reuter, Stadtschlaining, Austria*

India seeks Tamil extradition

India has formally asked the Sri Lankan government for the extradition of Mr Velupillai Prabhakaran, supreme commander of the separatist Liberation Tigers of Tamil Eelam (LTTE), and two others accused of the assassination in 1991 of Mr Rajiv Gandhi, the Indian prime minister. Mr P.Chidambaram, India's commerce minister who was recently given special charge of the Gandhi assassination case, said in parliament on Saturday that the government had taken the decision after a careful review of the legal position.

Officials admit that the move has more political than practical relevance. Mr Prabhakaran, who resumed the LTTE war against the Sri Lankan government in April after a brief ceasefire, is not in the custody of Colombo and is unlikely to be caught. The LTTE has been fighting for a separate Tamil homeland since the mid-1980s.

The Indian government, which has friendly relations with Ms Chandrika Kumaratunga, the Sri Lankan president, had until April found it difficult to press for Mr Prabhakaran's extradition as such a request could have jeopardised prospects for a peace process initiated by Ms Kumaratunga. But after the LTTE resumed war, Ms Kumaratunga became the first Sri Lankan leader publicly to accuse Mr Prabhakaran of assassinating Mr Gandhi. *Shiraz Sidhva, New Delhi*

Death toll rises in Karachi clashes

Gunmen fired volleys of shots in Karachi, Pakistan's southern port city, yesterday, as the death toll rose to 20 in four days of violence involving members of rival gangs belonging to the city's 'muhajir' or immigrant community. Six people were killed and 10 vehicles burnt by unidentified gunmen yesterday as fears rose that the violence would get worse in coming days. More than 600 people have been killed in Karachi this year, mostly in clashes among those who migrated to Pakistan from India after independence from the British in 1947.

The latest wave of violence has followed a row between Ms Benazir Bhutto, the Pakistani prime minister, and a faction of the MQM (Mohajir Qaumi Movement), which still claims to represent the larger faction of the muhajirs in the city. *Farhan Bokhari, Islamabad*

UK attacks US embargo on Cuba

Mr Ian Taylor, Britain's junior trade minister, has criticised the US trade embargo on Cuba, saying its continuation threatens the stability of the Caribbean. Mr Taylor, who is leading a British trade mission to several Caribbean countries, said in Jamaica that the US embargo could lead to social and political instability in Cuba.

With a population of 11.5m people in Cuba, Mr Taylor said, such unrest would lead to a flood of refugees to neighbouring islands. His criticism follows efforts by several legislators in Washington to tighten sanctions against Cuba to put pressure on the government of President Fidel Castro to carry out political and economic reforms. The latest move is draft legislation to penalise countries and companies which invest in and trade with Cuba. President Bill Clinton has rejected the proposals, and they have been criticised by members of the European Union and by Cuba's more immediate neighbours. *Canute James, Kingston*

RUGBY WORLD CUP

A history hidden by the apartheid years

Michael Holman visits a black South African rugby club

Their entrance was without fanfare, and their demeanour diffident, but the impact of the four men in green and gold blazers was dramatic.

The booming loudspeakers exhorting the Port Elizabeth Harlequins to greater efforts against the visiting XV from outlying Patensie fell silent.

The chanting, cheering home team supporters, whose enthusiasm made a Twickenham crowd in full throat seem listless by comparison, turned their attention from the game and focused on the quartet.

Small boys vied to touch them, mature women posed for photographs alongside them, and grown men sought their autographs. The Springboks had arrived. And for the next two hours Morné du Plessis, former Springbok captain and manager of the country's world cup team, and players James Small, Japie Mulder and Rudolf Straeuli sat in the stands, basking in the warmth of the fans' support.

At any other rugby ground in South Africa it would have been unremarkable, for Springbok rugby players have always been revered by white South Africans.

But the 1,000-strong crowd watching the club game in Port Elizabeth's Adcock stadium was predominantly black or coloured (mixed race).

And what made the occasion even more poignant is a history that makes the supporters of the home team Harlequins not only as knowlegeable about rugby as any white crowd in South Africa.

Their knowledge springs from a century-old association with the game, and from which apartheid did its best to exclude them. It was in 1887, Harlequin officials proudly point out, that the first adult black rugby club was formed in Port Elizabeth.

Indeed, one local club provided a constitution which might serve as a model today, asserting that it did not discriminate on the basis of "*bala, luhhlanga, lukwimi, nalunqulo*" (colour, nationality, language and religion).

Club officials also recall the lively coverage the sport – *mbozo* (the thing that is not round) in Xhosa – received in the first African-controlled newspaper, Imvo Zabantsundu (Native Opinion), in which the paper's sports editor of the day carried his accounts of games under the heading *Ibala Labadlali* (sports reports).

According to one local rugby historian, Braber Ngozi, Port Elizabeth's first black rugby club was started by "kitchen boys who learnt their rugby from whites".

But the real influence which was to make the eastern province of South Africa the stronghold of black rugby lay elsewhere, according to a study of black rugby, *Beyond the Tryline: Rugby and South African Society*.

It came from the playing fields of the Cape Mission schools, often racially mixed, and providing education on the English model, during an era that was enlightened in comparison to what was to come.

The Cape Colony consitution of 1853 provided a qualified franchise, which allowed citizens regardless of colour to vote, provided they owned property worth £25 and could sign their name.

By the mid-1880s around 10,000 blacks and coloureds had registered as voters, formed their own political parties, started a newspaper and were so strong in some constituencies were able to influence the choice of successful candidate.

It was during this period that numbers attending the mission schools rose from barely 3,000 in 1865 to nearly 16,000 in about 700 schools by 1885, and thus was laid the foundations of black rugby in Port Elizabth and the surrounding region known as the eastern Cape.

Black rugby also established itself further afield, notably in the western Cape. The Western Province Coloured Rugby Union was formed in Cape Town in 1886, only three years after whites formed their own racially exclusive body, and by 1930 there were more than 200 black rugby clubs in the Cape Town region.

But as the National party consolidated its hold on power after its victory in the 1948 election, black rugby was stifled, and among white South Africans at least, its long history soon forgotten.

Today, for most South Africans, the black history of rugby remains unkown.

And white South Africa may have further surprises in store when the history of black cricket comes to be written.

In 1884 Port Elizabeth's top white club was beaten by a black team from King Williams Town: "Cricket", commented the Port Elizabeth Telegraph, "seems quite to hit the Kaffir fancy."

Eddie Halvey, on as a replacement, scores Ireland's third try against Wales EPA

Ireland 24, Wales 23

For the second world cup running Wales, hosts in 1999, are the only established rugby nation not to qualify for the quarter-finals. They go home while Ireland deservedly meet France in the quarter-finals, reports Huw Richards.

The single-point margin might suggest that Wales came close. They did not. Hemi Taylor's injury-time try was an irrelevance in fitting with a dire contest in which Wales only found sufficient imagination too late.

Ireland built their victory on forward dominance and ferocious defensive tackling.

The Welsh display was an amalgam of the defects that have made the last 15 years the worst in Welsh history – a woefully inadequate back row, failure to release early ball, a midfield incapable of taking the right options and a fixation with the long drop-out.

NZ 145, Japan 17

Simon Culhane claimed a record 45 points on his debut yesterday as New Zealand scored at will in a 145-17 world cup victory over Japan that saw several other scoring records broken, AP reports from Bloemfontein. New Zealand topped Pool C, to play Scotland in the quarterfinals.

Centre Marc Ellis's six tries broke the world cup finals record of four, while Culhane scored a try and converted 20 of the 21 New Zealand tries.

The New Zealanders simply overwhelmed the smaller Japanese players with their relentless power and pace. They led 84-3 by halftime and easily surpassed the record for most points in a world cup match. But the Japanese never gave up, and scored two tries.

Scorers: New Zealand 145: Tries – Ellis (6), Rush (3), Loe, Robin Brooke (2), Osborne (2), Ieremia, Culhane, Wilson (3), Dowd, Henderson. Conversions – Culhane (20).

Japan 17: Tries – Kajihara (2). Penalty – Hirose. Conversions: Hirose (2).

Italy 31, Argentina 25

Outside-half Diego Dominguez scored 21 points, including a late try off an Argentina mistake, to lead Italy to a 31-25 victory yesterday over the Pumas in their rugby world cup finale in the Basil Kenyon Stadium, East London, AP reports.

Both sides were winless going into their last pool B match and had no chance of making the quarterfinals. But hard play and some inspired running by the Italians made for a spirited game.

"We proved we can play rugby at a high level," said Italian captain Massimo Cuttitta, tossing another hint of Italy's wish to join the Five Nations championship involving England, France, Ireland, Scotland and Wales.

Scorers: Argentina 25: tries – Martin, penalty try, Corral, Cilley; conversions – Cilley; penalties – Cilley.

Italy 31: tries – Vaccari, Gerosa, Dominguez; conversions – Dominguez (2); penalties – Dominguez (4).

Rugby union world cup – at a glance

Team	GP	W	D	L	PF	PA	Pts
Pool A							
South Africa	3	3	0	0	68	26	9
Australia	3	2	0	1	87	41	7
Canada	3	1	0	2	45	50	5
Romania	3	0	0	3	14	97	3
Pool B							
Western Samoa	2	2	0	0	74	44	6
England	2	2	0	0	51	38	6
Italy	3	1	0	2	69	94	5
Argentina	3	0	0	3	69	87	3
Pool C							
New Zealand	3	3	0	0	222	45	9
Ireland	3	2	0	1	93	94	7
Wales	3	1	0	2	89	68	5
Japan	3	0	0	3	55	252	3
Pool D							
France	3	3	0	0	114	47	9
Scotland	3	2	0	1	149	27	7
Tonga	3	1	0	2	44	90	5
Ivory Coast	3	0	0	3	29	172	3

QUARTERFINALS
Saturday, June 10
1 France v Ireland — Durban
2 South Africa v Pool B Second-Place — Johannesburg
Sunday, June 11
3 Pool B winner v Australia — Cape Town
4 New Zealand v Scotland — Pretoria

SEMIFINALS
Saturday, June 17
Winner Quarterfinal 1 v Winner Quarterfinal 2 — Durban
Sunday, June 18
Winner Quarterfinal 3 v Winner Quarterfinal 4 — Cape Town

Third Place play off
Thursday, June 22 Pretoria

FINAL
Saturday, June 24 Johannesburg

Saturday round-up

If the world cup organisers want to guarantee at least one cliffhanger in the 1999 competition, they should ensure that Scotland and France are drawn together again. In 1987 they fought out a magnificent 20-20 draw. Saturday's clash at Pretoria did not match the technical heights of that game, but outbid it for excitement as the French overcame a 10-point interval deficit to win 22-19 in injury time, writes Huw Richards. France lost scrum-half Guy Accoceberry and flanker Philippe Benetton with broken arms.

The awesomely prolific Hastings was for once outgunned with the boot – Thierry Lacroix's unerring accuracy producing 17 points to his 14. Scotland will face New Zealand in the quarter-finals, and France will play Ireland.

South Africa's 20-0 win over Canada will be remembered for a floodlight failure and the epic brawl which produced the sending-off of Canada's Rod Snow and Gareth Rees and Springbok hooker James Dalton, whose 30-day suspension rules him out of the cup.

Australia stuttered early on before disposing of Romania 42-3; lock John Eales kicked four conversions.

Ivory Coast lost 29-11 to Tonga. Their winger Max Brito, lies paralysed in a Pretoria hospital with a serious spinal injury – putting into perspective any temptation to talk of "tragedy" in the coming weeks as tackles and kicks are missed.

Injury, the ever-present enemy of a top player

James Small likes to take his shirt off. At practice the Springbok winger often runs around bare-chested. He readily changed shirts in the lobby of the team's hotel on Thursday morning. It is easy to understand why. There is not an ounce of fat on his 90kg frame. He has the perfectly muscled torso of the highly-trained modern athlete.

James Small: hamstring Allsport

His body has a healthy and efficient cardio-vascular system, a low pulse rate and low blood pressure. It is the body the Springboks say stopped Va'aiga Tuigamala and will stop Jonah Lomu. But, at 26, it is already accumulating damage which will leave him in early middle age, unless he is lucky, with restricted movement in his shoulders, arthritis in his ankles and the flat feet and curled toes of a man 25 years older.

And Small plays in one of the least damaging positions in rugby. Even on Thursday morning, less than 48 hours after playing Romania and before Small, yet again, tweaked a hamstring in training, it was a body that was in no condition to play rugby.

Fear of injury dominated the selection policies of the more powerful nations in the early rounds. South Africa selected its "gold" team only for the opening match against Australia and then brought in the reserves. The priority was clear: a healthy team is more important than a settled one.

"You cannot reach the final the final with just 15 guys," says Morné du Plessis, the South African manager. "If we use just 15 guys we won't be able to survive the pace."

After Saturday's grinding win over Canada, François Pienaar, the South African captain, explained his team's dreary tactics: "We wanted to get through the game with the least number of injuries. That is why we kicked the ball all the time. We just wanted to win and get out of there."

Pienaar said he had been surprise at the stamina of the Canadians. He had not thought the players who battered Australia for 80 minutes could do the same thing again just three days later. The wisdom in modern rugby is that 72 hours is the very minimum a body needs to recover from a game.

Dr Mike Bassett, the Canadian team doctor, says that on tours he finds players can recover from the opening game in 24 hours, but this quickly rises and, after a while, even 72 hours is not enough. During games even players who are not injured suffer from fluid loss and muscle breakdowm. "Matches three days apart push players right to the edge. You'll find players with nothing left. When runners hit the 'wall' they often come through it. A rugby player has nothing left but mental strength."

However, there are very few games when no-one is injured. After every game, says Bassett, he uses six to 10 bags of ice on easing shoulders, shins and so on. Ordinary strains and sprains take six weeks to heal, he says, which would knock a player out of a tour or the world cup.

Bassett says that on a tour or extended trip, such as the world cup, 50 per cent of his work is treating a predictable series of non-rugby problems. There will be several cases of diarrhoea in the first week. Some players may get a cold or virus and, as they recover, other players will go down with the same bug. He will also have to act as counsellor for worried players. Many find that a long tour puts pressure on their marriages.

Dr Frans Verster, the South African team doctor, says 90 per cent of his players have had injuries to the ligament that joins the collar bone to the shoulder. Players tend to hit the ground with their shoulders when tackled and the hard pitches in South Africa make the injury common. Thirty per cent of the Springboks have had broken noses. Lacerations are common, especially eyebrow lacerations. So are hand injuries

Bassett says scrum halves, who are kicked on the hands and tackle a lot, suffer most severely. "Look at John Graf's hands [Graf is the Canadian scrum half] – they are all bumps. Guys end up with restricted movement. I would not recommend anyone planning a career in neurosurgery to take up rugby."

Finally, front row forwards damage their necks. "You can tell an ex-front row player by looking at a neck x-ray," said Bassett. "You will see degenerative damage to the vertebrae."

Even so, at the highest level, where 17-stone men smash into one another ceaselessly at high speed, there are surprisingly few broken bones. Verster says the way modern players prepare themselves, with carefully tailored training programmes, explains why severe injuries are not more common. Bassett says the training, combined with playing at international level, gives players increased flexibility and faster reflexes and the ability, like boxers, to absorb punishment.

Even so Max Brito, the Ivory Coast winger, broke his neck against Tonga on Saturday. Two French players, Philippe Benetton and Guy Accoceberry, both of whom regularly play, and probably train, to a much higher level than Brito, have broken arms. Pierre Berbizier, the French coach, was not sympathetic: "Rugby is a hard game. If you cannot take a punch you must go and play table tennis."

From now on the team that takes punishment best will probably win the cup. Indeed many of them play like body-punching heavyweights, trying to drain their opponents with percussive forward play. Few teams can expect to tackle the likes of Tim Rodber, Willie Ofahengaue or Jonah Lomu for 80 minutes and escape without injuries.

Yesterday, on the morning after the Canadian game, the South African team hotel offered a more forlorn sight. While his team-mates were away at a nearby casino, Joel Stransky, the Springbok's first-choice fly half, wandered about forlornly, a bandage over his left eye. Stransky suffered a cut cornea against Canada.

Meanwhile, Small is still struggling with his hamstring. Gavin Johnson stood in for him against Canada and left the game early, concussed. Johnson is also the reserve fullback and the best place kicker after Stransky. Suddenly, the back division looks less like South Africa's great strength and more like a bruised Achilles heel. Injuries are threatening to undermine the Springboks' world cup chances. Dr Verster has his work cut out.

Peter Berlin

NEWS: UK

Railway privatisation Flotation of company which owns track is now prime objective

Timetable for first sales is abandoned

By Charles Batchelor, Transport Correspondent

The government has abandoned its timetable of privatising more than half of passenger train operations by April next year, say train operators bidding to run services. They claim that it has decided to concentrate on a stock market flotation of Railtrack, the company which owns the national network's track and signalling.

It had looked increasingly unlikely that the franchising director, Mr Roger Salmon, could sell the franchises covering more than half of the passenger network by the April 1996 deadline. The impossibility of doing so has now been acknowledged privately by Mr John Major, the prime minister. Tenders have been sought to operate three out of 25 services, but a July 18 deadline for sending out invitations to tender for a further four franchises will not be met. It seems likely that September is the earliest that invitations could be sent. Sufficient time would then have to be allowedfor preliminary bids and negotiations. Any slippage in the timetable could take the privatisation process into the run-up to the next general election due to be held by May 1997.

Publicly, the Department of Transport and the franchising director maintain that the 1996 target date for privatising 51 per cent of passenger train operations still stands. But the flotation of Railtrack is now seen as central to a successful privatisation of the railway.

A stock exchange float would make it very costly for a future Labour government to renationalise Railtrack. Labour has not said it would renationalise the railway, but Mr John Prescott, the party's deputy leader, has spoken of establishing a "publicly owned" railway.

The government has said it wants to privatise Railtrack in the life of the present parliament but leaked documents indicate a preference for the first quarter of next year.

Privatisation of the national railway network has gained a momentum which it will be difficult to stop. Much of the framework needed to create a privatised railway network has been put in place. Mr John Swift, the government-appointed rail regulator, has calculated the formulae he will apply to setting track access charges for passenger and freight trains. Mr Roger Salmon, the franchising director, has revealed the principles he intends to apply to passenger service levels and service standards and has also laid down the ground rules for the fares passengers will be charged.

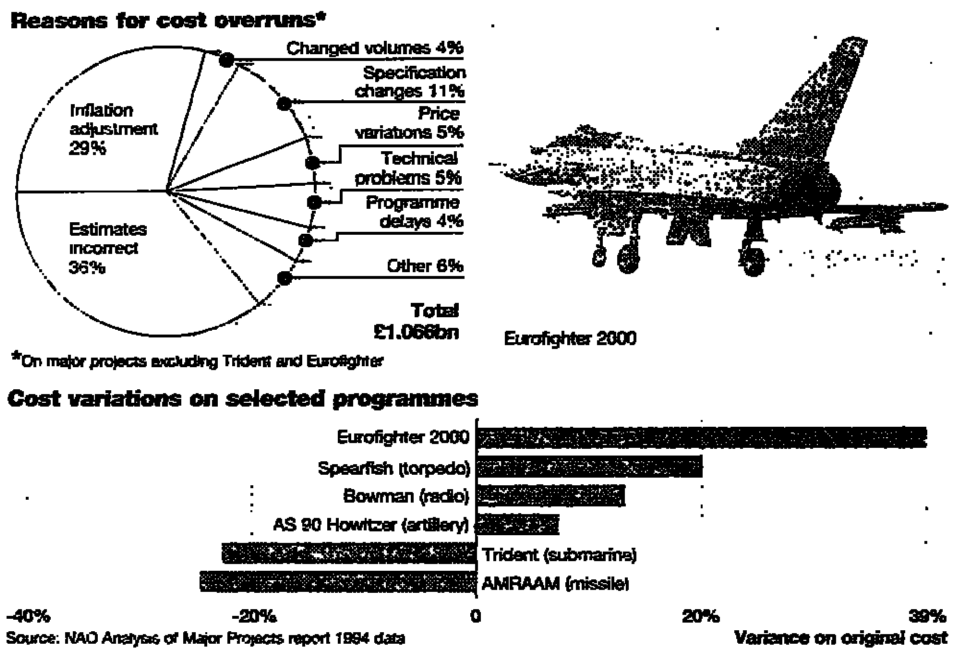
A member of one management buy-out team said: "My nightmare is that one third of the industry will have been privatised but a snap election leads to the collapse of the programme. Labour could then step in and renationalise the railway." The network was nationalised by a Labour government in 1948.

Defence equipment Costs of many big projects soar far above original estimates

Culture change demanded at ministry

By Bernard Gray, Defence Correspondent

The uncertain price of military hardware



*On major projects excluding Trident and Eurofighter

Source: NAO Analysis of Major Projects report 1994 data

Development of the Eurofighter 2000, the four-nation agile combat fighter in which the UK has a 33 per cent share, was estimated in 1988 to cost the UK £2bn. At current prices that equates to £2.8bn ($4.4bn), yet developing the aircraft is now likely to cost £3.9bn, an increase in excess of inflation of 39 per cent.

So is the Defence Ministry incapable of controlling the spiralling costs of its projects, or are there deeper forces at work? Other organisations which have large project management tasks have had similar problems, even in the private sector. The Channel tunnel is perhaps the most infamous. It was estimated to cost £4.8bn in 1988, against the eventual total of between £10bn and £11bn.

Confidential defence ministry documents which break down the figures on cost increases suggest that several factors are at work, and that there are cures for at least some of the problems.

There is little doubt that there is a systematic tendency for the ministry to underestimate the cost of its projects. Some projects do come in more cheaply than originally forecast, most notably the Trident missile submarine programme which will cost £3.46bn or 23 per cent less than anticipated. But most cost more, and even within the Trident programme there were some elements which cost far more than originally estimated.

Ministry officials acknowledge that this bias really exists. In part they attribute it to an optimistic "can do" attitude of staff, who want the programme to succeed and tend to believe that projects can be made to run smoothly. They are therefore liable to underestimate the severity of potential problems and leave an insufficient contingency reserve in planning totals.

Other elements reinforce that trend. Companies which want their projects to be adopted by the ministry will put the most optimistic gloss on the likely cost. With heavy pressure on defence spending, ministers and senior government officials will be keen to drive down the cost of equipment spending and will be reluctant to see project totals inflated by contingency reserves apparently provided "just in case".

With the main participants – companies, civil servants and ministers – all having an interest in keeping the cost down, it is hardly surprising that there is systematic error, even though the cost estimates are heavily audited. Mr Roger Freeman, the defence procurement minister, acknowledges the point and argues that there has to be a cultural shift. "We have to be more honest with ourselves about issues such as the time it takes to complete a project." The ministry is trying to tackle the problem in part by replacing its single-point estimate of costs with a 3-point ranges for larger projects. Teams now have to report a worst-case/highest-cost estimate, a best-case/lowest figure and their most likely outturn.

The system gives a more realistic bracket than the spurious accuracy of a single figure on a programme which may run for more than a decade. It also gives a graphic illustration of the degree of uncertainty left in the project. The wider the range the greater the uncertainty and the more carefully the project needs to be monitored.

UK NEWS DIGEST

Fraud rife in business, says survey

Fraud is rife in British business, says a survey in which more than two-thirds of the 100 finance directors polled said their companies had suffered financial crime. Managers commit more frauds than junior staff because they are audited less rigorously, said Mr Mark Speed, research director for the survey. It was commissioned by Security Gazette and the consultancy Control Risks, and conducted by the polling organisation Mori among finance directors chosen randomly from the 1,000 largest public companies.

The survey said 60 per cent of frauds were committed by managers, with middle managers the chief culprits. Nearly a third occurred in finance departments. Fraud costs companies an average of 2 per cent to 5 per cent of their turnover, according to Network Security Management, the fraud investigation business. Mr Speed said freelances and consultants posed fraud risks because they were seldom subject to audit once they stopped working for a company. Also, many felt little corporate loyalty. The survey said one in three frauds involved people from outside a company.

Simon Kuper, Public Policy Staff

TV franchise contender chooses top executive

UKTV, the consortium that put in the highest bid for the Channel 5 television licence, has appointed as chief executive Mr John Fairley, former managing director of Yorkshire Television. The appointment will boost UKTV's chances of winning the licence for which it bid more than £36m ($56.5m) a year.

The consortium put together by CanWest, the Canadian commercial broadcaster, has pledged that if it wins the licence it will give 1 per cent of its pre-tax profits to a charitable trust to be known as "Imagine . . ." The trust's main aim would be to support the performing arts.

Raymond Snoddy, Consumer Industries Staff

Union criticises 'abuses' of shareholders by City

The GMB union, one of Britain's biggest and richest trade unions, is to campaign harder against what it sees as abuses of shareholder democracy in the City of London. Mr John Edmonds, union general secretary, said it would take legal action to stop companies making political gifts which had not been authorised by ballots of shareholders. The union will reveal next month a list of seven companies in which it has shares and which have been chosen by its lawyers for possible action. Mr Edmonds said very few companies put the issue of political donations directly to shareholders for approval. Most relied on very general provisions in their articles and memoranda of association. The GMB was confident that such powers would be held to be too general to authorise specific political contributions. He said: "Corporate political contributions have been made on the basis of political wishes and inclinations of directors – sometimes based on friendships."

The union wants a change in the law so that votes at company annual meetings must be cast by the shareholders themselves and the votes recorded and open to public scrutiny. "Our campaign will expose the Square Mile mandarins who control billions of pounds and wield enormous power," said Mr Edmonds.

Andrew Bolger, Employment Correspondent

Labour attacks 'secrecy' among big investors

The opposition Labour party is drawing up plans to sweep away the culture of secrecy which it claims exists amongst institutional investors, and to curb the power of the so-called block vote wielded by fund managers. Mr Alistair Darling, the party's spokesman on the City of London, said Labour would insist on far greater openness as part of its plan to transform corporate governance.

Under proposals yet to be completed, institutional investors would have to vote at annual general meetings after consulting with scheme trustees and even beneficiaries. Any decisions taken by investors on controversial issues such as executive pay would also have to be justified to trustees of funds they invest on behalf of. Fund managers would have to set out their long-term investment strategies in annual reports.

Mr Darling said last week's annual meeting of British Gas, the former state utility, confirmed the need for action. Unidentified institutional investors at the meeting voted through a new remuneration structure for executive directors. Despite requests by shareholders at the meeting, British Gas refused to disclose which institutions had supported the board. "There is a new breed of fund manager who has nothing to hide, who are quite open about how they vote," he said. "We want that approach to become the norm."

William Lewis and George Parker

Man charged over Ecstasy haul: A man is to appear in court at the port of Dover in south-east England after Ecstasy with a street value of more than £500,000 ($785,000) was seized by Customs officers. A couple from Belfast in Northern Ireland were stopped as they drove off a ferry from France. Customs officers said 13kg of the drug were hidden in the vehicle.

Islanders protest: Residents of the Scottish island of Iona have protested at the damage inflicted by thousands of visitors to the grave of John Smith, the leader of the opposition Labour party who died last year. Smith's family was given special permission to bury him next to Iona Abbey, the resting place of Scottish kings. Fisherman Iain Dougall, whose parents are buried near Smith's grave, said: "These visitors are destroying locals' graves as they try to pay their respects to a man, who by rights, should not be here."

هدية من الأهرام

THIS WEEK

French elite: plus ça change

DATELINE

Paris: Chirac's attack on the bureaucrats tapped a rich vein of popular resentment, writes **David Buchan**

It is an old politician's recipe: campaign against the bureaucrats, but once elected and in need of their expertise leave them as they are.

But because the tactic of beating-up-on-the-bureaucracy is more flagrantly used in the US than in Europe where civil servants generally have a higher status, it was all the more striking that Jacques Chirac should have campaigned himself to victory partly by raging against the power of France's technocratic elite.

Like four of the men that he beat for the presidency (including Edouard Balladur on the right and Lionel Jospin on the left), Chirac is himself an énarque. That is to say a graduate of the Ecole Nationale d'Administration, which together with a couple of other administrative schools provides even more of the political and business elite in France than Oxford and Cambridge do in the UK or Harvard and MIT in the US.

Not surprisingly, therefore, Chirac did not complain about énarques per se, but about their dominant influence in the *cabinets* or private offices of ministers. "These brilliant young people, from good schools, competent, well trained, honest .. concentrate all power in their hands," he complained on the campaign trail, adding that "the first thing for the politicians to take back power is to abolish these ministerial cabinets".

Since taking office, Chirac has ordering a slimming down of ministerial cabinets, setting an example himself by halving the number of councillors that Francois Mitterrand had at the Elysée. But one of the main targets of the bureaucrat-bashers in France – the 400 financial whizzkids who make up the Trésor – has gone unscathed. And another network – that of the foreign ministry – has actually grown. Alain Juppé, who was foreign minister in the Balladur government, has taken diplomats with him to the prime minister's office and planted others in key Elysée posts around Chirac.

In general, the énarque network remains intact. It needs to, for one simple physical reason. With a few exceptions like the finance minister holed up with all his troops in an ugly modern fortress on the east of Paris, French ministers like to inhabit the fancy mansions built by 18th century aristocrats in central Paris. Isolated from the bulk of their civil servants, *ministers would not have a clue* about what was going on without their private staffs.

Nonetheless, the Chirac campaign clearly tapped a rich vein of popular resentment of "la technocratie". So, what is wrong with French bureaucrats? Charges of inefficiency and corruption, often levelled against bureaucrats in other countries, do not really stick in France. The French civil service is generally efficient and honest.

International testimony to this is provided by the fact that it acts as the secretariat for the Club of Paris which organises the rescheduling of official debt, and that it has provided a series of managing directors for the International Monetary Fund. It may throw up the occasional dud, as Jacques Attali proved himself at the European Bank for Reconstruction and Development, but there was no objection to him being replaced there by another French public servant, Jacques de Larosière.

As for the wider public sector, the French generally hold their public services and utilities in high regard. Many took to the streets last week to defend these utilities from the encroachments of the Brussels deregulators. True, it was an énarque and former head of the French Trésor, Jean-Yves Haberer, who brought the state-owned Crédit Lyonnais to near-ruin. But this has provoked a salutary awareness of the need to cut the umbilical cord between the state and business, and to press on with privatisation.

However, the énarque system has fostered for too long the illusion of "the gifted amateur" floating effortlessly between the public and private sectors and able to tackle problems of which he or she has no previous experience. The tendency of top civil servants to parachute into private sector jobs within their previous area of government responsibility also raises issues of conflict of interest, which are now being dealt with.

In addition, the tradition of the "gifted amateur" has a pernicious effect within the private sector, where most big French companies tend to fill their top jobs from outside rather than picking leaders from those within the business.

Last week's example of this was the decision by the Alcatel Alsthom engineering and telecommunications group to pass over several internal candidates for president in favour of Serge Tchuruk, the highly capable Total president with a background exclusively in oil and chemicals.

But the real gripe of Chirac and many French with the technocratic elite is that the latter has an in-bred conformity of views, or a pensée unique, which it has foisted on the country.

The complaint is that the elite sees no alternative but to push ahead mindlessly with liberalising trade and finance and reducing budget deficits, and that it is blinkered from the social hardships like the unemployment that these policies cause. The riposte of the elite, however, is that there are other realities – in particular the disciplines required by the international financial markets – which France ignores at its peril.

PEOPLE

Quarta springs into action

The chief executive of BBA Group, tells **Tim Burt** he has little love for the status quo

Roberto Quarta, chief executive of BBA Group, is enjoying himself enormously. He has restructured one of the UK's leading industrial and engineering companies, returned it to profit, and signed a deal that should make it one of the world's largest non-woven textile manufacturers. Ten days ago, he could not prevent himself smiling when he announced the surprise SFr466m (£246.5m) takeover of Holvis, the Swiss paper distribution and non-woven textiles group.

Not only had BBA emerged as the likely winner in Switzerland's first takeover battle; it had also signalled that its forced diet of job cuts and disposals had begun to pay off.

It was a painful experience for the UK group. In the 18 months following his arrival, the 46-year old Italian-American cut some 2,000 jobs and sold off subsidiaries with combined sales of £400m. "The patient is not only out of intensive care, but out of hospital and looking to grow," he says.

International Paper, the world's largest paper company, probably wishes BBA – a company less than a sixth its size – was still in the operating theatre. For Quarta not only put together a SFr500-a-share offer which stole Holvis from under its nose, but also clinched a "lock-out" agreement to buy the Swiss group's non-woven textile's business.

The move prompted much teeth-gnashing at IP, which had expected its SFr435-a-share hostile bid to be accepted by Holvis after InterTech, the US fabrics group, withdrew from the bidding. Stung into action, IP promised to lift its offer to SFr550 if Holvis backtracked on its non-wovens deal with BBA, and sent a battery of lawyers to protest to the Swiss takeover commission.

Quarta appears undaunted. "We have a binding contract. It's watertight." He expects the takeover commission, whose decisions are not binding, to approve the deal and allow BBA to complete the purchase. A decision may come today, but Quarta has already begun planning how to push Fiberweb and Mühlebach – Holvis's two operating arms – towards the double digit margins now expected of BBA.

As with the UK businesses, he plans to apply the techniques honed at BTR, the conglomerate where the former tailor's son rose to board level and was seen as heir apparent to chief executive Alan Jackson.

"The financial discipline of BTR proved the right mechanism for BBA. There were some people here who felt this company was a victim of the recession. I don't agree. You cannot change the weather or economic cycles. But you can determine your own costs and prices. We had to break people's affection for the status quo," says Quarta.

That effort, culminating with the disposal in April of Automotive Products for £181.2m, earned Quarta a reputation as a strong-arm man. Around the City, he is known variously as "coiled spring," "Bob-the-knife," and "spare no" Quarta.

Given the choice, he prefers "coiled spring." Colleagues say it reflects the speed at which he gets things done. The Holvis deal was put together in 72 hours, and the sale of Automotive Products to a management buy-out team was arranged with venture backing before the management even knew it was up for sale.

"Bob makes decisions rapidly and is quite prepared to lay down the law," says one colleague. Quarta's affection for the law is evident in his City office, where he drinks coffee from an FBI mug.

"When I was younger, I thought about joining the FBI," he says. "But then I went to college, the draft intervened and I ended up in business."

Vanni Treves, chairman of BBA, thinks he made the right decision. "We wanted him to be radical and I trusted his judgment," he told reporters earlier this year.

That judgment has seen BBA emerge from a £72.1m rationalisation as a group focused on four main areas: friction products, specialist electrical components, aviation services and non-woven textiles. In three of those areas it is either market leader or a leading player. "We're either at or well on the way to double digit margins in our remaining business and we've achieved that faster than expected," says Quarta.

Rising demand for those businesses helped BBA swing into the black last year, transforming pre-tax losses of £14.5m into profits of £63.9m. Quarta hopes to augment those figures by integrating Fiberweb with Reemay, its existing non-woven textiles business, and building up Mühlebach, Holvis's distribution arm. If it overcomes IP's opposition, it could – alternatively – sell Mühlebach and pay off the £144m borrowings used to acquire Holvis in the first place.

"Everything is being considered," says Quarta. "Three years from now, businesses which we consider core may be ripe for disposal. BTR put me in good stead. It taught me you must never stand still."

Enjoying himself: Roberto Quarta,

Nick Land: views from the helm at E&Y

The firm's new senior partner talks to **Jim Kelly**

For a man who ran away from the sea to become an accountant, Nick Land, the new senior partner of Ernst & Young, has already done a surprising amount to dispel the dull image which haunts his profession.

At 47 he heads an organisation which will today come under scrutiny, along with the rest of the "Big Six" firms which publish their annual fee income results.

But Land has already made headlines. In March the firm launched an unprecedented attack on self-regulation in the profession and called for the creation of an independent watchdog which could evolve into a UK version of the US Securities and Exchange Commission.

What is more, the firm went on to dismiss as "inconsequential" the Auditing Practices Board's proposed reforms to make auditors more effective following the embarrassing corporate failures of the late 1980s.

Kicking over the traces in such a way was unheard of among the Big Six. Is Land, and his relatively youthful executive team of five partners, anti-Establishment? He would argue not, but as he warms to this theme there are clear signs of impatience with the old guard.

"We have been growing frustrated. We were fairly sceptical of aspects of Cadbury [the code designed to improve the way UK companies are run], the only firm to raise real doubts. We believed in it. But we thought it was too simple a solution to put the onus on the non-executive directors, these super-beings. And I think we have been proved right because there are a lot of worried non-execs out there."

And the outburst over regulation? "It was just the straw that broke the camel's back. There was nothing particularly wrong with the Audit Agenda [blueprint for the reform of the audit process]. But what they were saying didn't seem particularly relevant. We thought it was playing at the edges."

"I don't believe in self-regulation because even if it works, in the world we live in, you guys in the media won't let it work. That is what you are there for. Self-regulation is an oxymoron."

Land also thinks that unless the UK acts soon another structure may be imposed by Brussels, which is actively considering audit regulation at the moment. "If we can produce a British compromise, a model between the SEC and this very loose all-mates-together structure, it has probably got some sense to it."

Land has a strong line in common sense and clear abilities as a manager and motivater. He was elected unopposed to head an organisation with 400 partners and 7,000 employees, although the method of election would baffle the Vatican. It worked because Land had overwhelming support. That support was in part a recognition that he is a manager, not one of the majority of partners who have spent 80 per cent of their careers with clients. "You have to run Ernst & Young as a big business. I enjoy that. The cut and thrust of it all."

He is part of the team which in 1989 emerged from the merger of Ernst & Whinney and Arthur Young. "We smashed our businesses together very well. We were ruthless and tough about it. It was bruising but it's over and done with." He sees his election as an affirmation of long-term strategy.

But his career has been anything but a long-term plan. Raised on the south coast he spent ten years of his life obsessed by racing dinghies in Shoreham Harbour. His father decided Land would waste time at university messing about in boats so he pointed him towards vocational training as an accountant in Brighton.

His management skills appear to spring from a need to be active and physical. "I'm interested in making things. I like fixing things, using my hands. I like going around factories, although I'd rather be in a fun E&Y than a miserable widget factory." He thinks about this neat line and then admits: "Deep down inside, a fun widget factory would get closer to my soul."

He is unlikely to get the chance to make a widget for the next decade at least. The retiring senior partner Elwyn Eilledge, is on the record as saying Land should lead the firm into the 21st century. While he faces periodic re-election he clearly relishes the chance to stay at the top for a decade.

Home life is concentrated at the weekends. He lives in Chiswick, west London, but gets away on Friday to a home near Haslemere. His wife Sonia is a non-executive director herself and the former chief executive of Harper Collins. They met when E&Y brought Sonia to the UK from Singapore: "They asked her to travel. They never asked me," says Land.

But he has gone far. Today the firm he leads will probably unveil fee income in excess of last year's £388m, although like several other senior partners he has doubts about the value of the figure. Accountancy firms do not have to reveal full financial details and choose instead to produce fee details.

"Frankly they are a waste of space. I don't think it can ever be unhealthy that there is too much competition. I just wonder whether the measures that we use of success are necessarily very good ones."

Trevor Humphries

Nick Land: "We have been growing more and more frustrated."

NAMES IN THE NEWS

Canadian financier raises his glass to Labatt

To his fans, Gerry Schwartz is an innovative financier, skilled at squeezing value out of companies in good times and bad. Critics label the 53-year old chairman and controlling shareholder of Onex, the Canadian investment management firm, a relic of the extravagant, debt-driven 1980s, writes Bernard Simon from Toronto.

The jury is still out on Onex's C$2.3bn bid for John Labatt, the Toronto-based brewer and entertainment group. Labatt, whose businesses range from Rolling Rock beer to the Toronto Blue Jays baseball team, has so far dismissed the offer as too low. It has put itself up for auction, but a rival bid has yet to appear.

Schwartz, a lawyer by training, honed his financial engineering skills in the mid-1970s in New York, working with the founders of Kravis Kohlberg Roberts, the US leverage buyout specialists.

Onex went public in 1987, with Schwartz retaining control through multiple voting shares. The company has a diverse stable of investments, including one of the world's biggest airline caterers, a film production house, automotive parts makers and a large Canadian courier service.

Schwartz's strategy, spelt out in 1988, is to "seek out the right acquisition, maintain our cash reserves, and derive modest satisfaction from the knowledge that it is better to make no acquisition than to make a bad one." Onex's initial offer for Labatt is probably not its last. But given Schwartz's credo, he might prefer no acquisition than become embroiled in a bidding war.

Volvo strategist is driving off

After helping drive Volvo through one of its most traumatic episodes, chief strategist Mats Ringesten is leaving Sweden's largest manufacturing company, writes Hugh Carnegy from Stockholm. He is becoming a 30 per cent owner and partner in the small and discreet Stockholm management consultancy, Neuman & Nydahl.

His replacement on Volvo's 11-man senior group management team is Claes Malmros, head of finance and planning at Volvo Car in Britain, Volvo's third largest market after the US and Sweden.

Ringesten was brought into the group in 1993 by Sören Gyll, chief executive, with whom he had worked in restructuring the old Procordia, a food and pharmaceuticals conglomerate then jointly owned by Volvo and the state. The original plan was that he would play a role in shaping the new Volvo, after the merger of its car and truck operations with France's Renault. His chief concerns would have been everything but the vehicle operations.

But the collapse of the Renault merger meant Ringesten ended up playing a key role in framing Volvo's new strategy of concentrating on its core automotive businesses – and selling off Procordia. Now that is firmly in place, Ringesten wants to move on, though he will continue as a consultant to Volvo.

Malmros, a lawyer by profession, has plenty of experience of Volvo's recent strategic shifts. He assisted in setting up the original Renault alliance and was closely involved in creating Volvo's joint venture with Mitsubishi in the Netherlands. He starts work in Gothenburg in September.

Shock therapist develops at Harvard

Harvard University's Institute for International Development (HIID) looks set for some "shock therapy" from its new director Jeffrey Sachs, **writes Stephanie Flanders from London.**

Sachs, 40, currently professor of international trade in the economics department, is more widely known for his work advising governments on dramatic reform programmes in Bolivia, Poland, Russia.

He has made no shortage of enemies along the way, not least Victor Geraschenko, erstwhile chairman of Russia's Central Bank, whom Sachs called "the world's worst central banker" at the time of his resignation as a Russian government adviser at the end of 1993.

Once a leading centre of research into poor country development, HIID had to be rescued from near-bankruptcy by its present director, Dwight Perkins, who took over in 1980. Critics say that, with funding coming from public institutions such as the United Nations, it now lacks a clear sense of mission.

Sachs' plan is to attract additional private money to put HIID "at the forefront of global development thinking, practice and education". Eventually, Sachs envisions holding interactive, 'cyber-seminars' linking practitioners and academics around the world.

FT GUIDE TO CHINA AND TAIWAN

Why has China reacted so negatively to the proposed informal visit to the US this month of President Lee Teng-hui of Taiwan?
China fears that visits to the US by Taiwanese officials will erode its decades-long campaign to isolate Taiwan diplomatically. Beijing regards Taiwan as a renegade province of China. Ever since the People's Republic replaced Taiwan at the United Nations in 1971, Chinese officials have striven to exclude their Taiwanese counterparts from international forums. President Lee's visit to the US, the first by a Taiwanese leader since 1979, is seen by Beijing as potentially the thin edge of the wedge as far as maintaining Taiwan's diplomatic isolation is concerned, especially in the US, home of a strong pro-Taiwan lobby.

Why is it so important to Beijing to maintain Taiwan's isolation?
China's most pressing foreign policy priorities, driven largely by domestic concerns, include "reunification" of the mainland with Hong Kong, Macau and Taiwan. Hong Kong and Macau will return to China's embrace in 1997 and 1999 respectively under agreements with Britain and Portugal. That will leave Taiwan as China's most important item of "unfinished business". Beijing fears that if Taiwan loosens the shackles of its diplomatic isolation it would be much less likely to agree to reunify on China's terms. China also worries that more open diplomatic acceptance internationally would stimulate a strong independence movement on Taiwan itself.

How might China react to a more assertive independence movement?
China steadfastly refuses to renounce the use of force to secure reunification. This "weapon" is aimed partly these days at discouraging Taiwanese from lending their support to a domestic pro-independence movement. If Taiwan moved to declare independence (Taiwan's ruling Kuomintang still claims to be the legitimate government of China), Chinese reaction would be strong and possibly violent. Military action could not be ruled out; although it is doubtful that China has the military strength to overrun Taiwan without sustaining an unacceptable level of casualties.

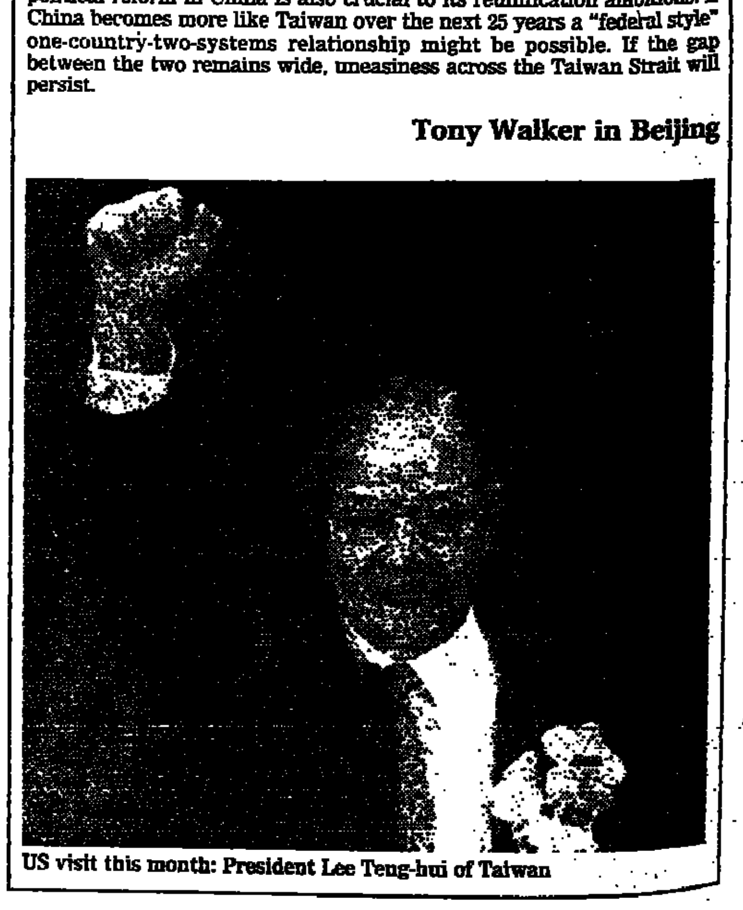
What is China's strategy for dealing with Taiwan in the short and medium-term?
While China strives to contain Taipei diplomatically, it is also seeking to persuade Taiwan that it would be to its advantage to develop a closer working relationship – leading to reunification. On January 30, President Jiang Zemin unveiled an eight-point programme aimed at convincing Taiwan that China meant no harm. Conciliatory in tone, the proposal sought to build on previous statements by Chinese leaders offering a "one country two systems" solution to the Taiwan problem. "Efforts should be made to achieve peaceful unification and Chinese should not fight against Chinese," Jiang said. In Taipei, the eight-point programme was given a cautious welcome, but is unlikely to lead to any breakthroughs soon.

What practical steps are being taken towards improving relations across the Taiwan Strait?
In April, 1993 representatives of China and Taiwan met in Singapore to launch a process that has become know as the "Wang-Koo" talks named after the Chinese and Taiwanese representatives – Wang Daohan and Koo Chen-fu. The two sides have held a series of meetings since the Singapore gathering aimed at facilitating business and family exchanges. "Negotiations" have been conducted by representatives of China's Association for Relations Across the Taiwan Strait (ARATS) and Taiwan's Straits Exchange Foundation (SEF) – informal bodies established to get round the problem that neither side is talking to the other officially. Representatives have been discussing an investment protection regime for Taiwanese investors on the mainland. They have also been negotiating the "three directs" – direct air, shipping and mail links. Taiwan announced earlier this year that it had approved direct shipping.

How important are commercial relations between the two?
Ever since President Lee Teng-hui four years ago formally ended Taiwan's state-of-war with China, the relationship has expanded rapidly. Taiwanese businessmen have flooded into China. At the end of 1994, some 25,000 Taiwanese-invested ventures had been established. Investment totalled between US$10-20bn. China is now Taiwan's second largest trading partner after the US. Exports last year, mainly through Hong Kong, are believed to have totalled $21bn (£13.3bn). China as a market, and investment destination looms larger all the time.

What might be the eventual solution to China/Taiwan problem?
Progress towards reunification – if at all – is likely to be slow. Among issues critical to China's ambitions for Taiwan is the Hong Kong takeover in 1997 and to a lesser extent Macau in 1999. If this process goes smoothly Beijing's chances would be improved of persuading the Taiwanese that it may be in their interests to have a closer relationship: if the transition to Chinese rule proves messy, prospects of drawing Taiwan into a closer embrace would be much diminished. Economic and political reform in China is also crucial to its reunification ambitions. If China becomes more like Taiwan over the next 25 years a "federal style" one-country-two-systems relationship might be possible. If the gap between the two remains wide, uneasiness across the Taiwan Strait will persist.

Tony Walker in Beijing



US visit this month: President Lee Teng-hui of Taiwan

هكذا من الأصل

In the information age past orthodoxies can be a liability and the premium is on identifying emerging trends, writes Gary Hamel

The prize that lies in foreseeing the future

Although we are all fed up with being reminded of the fact, it is nonetheless true that we are moving inexorably from the machine age to the information age. The closer we get to the information age, the more questionable become the traditional practices and precepts of management.

With the machine age came a technocratic view of management. From Frederick Winslow Taylor's scientific management to the disciplines of operations research, to the current fad for business re-engineering, managers have seen themselves as engineers more than artisans. A manager's job was to reduce the imponderable to the calculable.

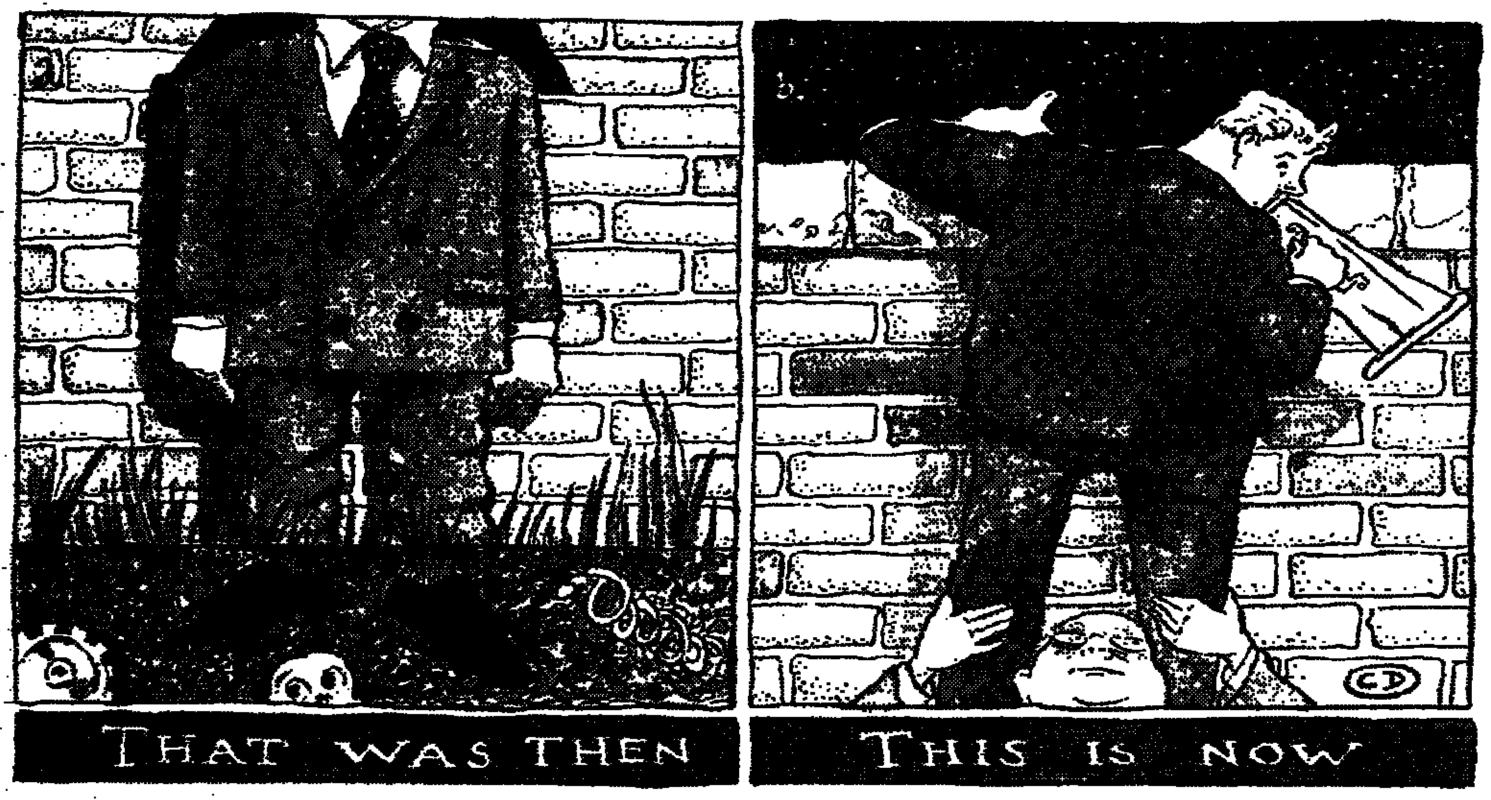
Traditionally, authority was vested top-down, from shareholders to corporate officers, from officers to managers and then to staff. Levels of authority were delineated in terms of discretionary spending limits and the scope for autonomous action. In the knowledge economy, the only employees that are worth having are those with many other choices of employment. The most capable knowledge workers are less inclined to think of themselves as loyal soldiers and more inclined to view themselves as sought after faculty members. It's not HQ any more, its the corporate campus.

Occasionally, authority can command compliance, but it can never command commitment. Beavis and Butt-head aren't the only ones who have a problem with authority – try winning the fealty of a whip-smart 32-year-old bond-trader or brand manager on the basis of raw, positional power.

In the machine age, control was everything. Managers were allergic to surprises. The results of that obsession were painfully detailed reporting systems, endless review meetings, brusque phone calls when budget variances were spotted, a temptation to second-guess operating managers, and a seemingly unquenchable thirst on the part of HQ for more data.

Control today is often illusory. To measure is not to control, as every weatherman knows. In our fast forward world, product life cycles can be shorter than accounting cycles. Accounting data is great for autopsies, but lousy for direction. And it's not just a question of timeliness, its also a question of appropriateness. Do control systems measure the right things: competitors' intentions? Emerging market needs? Subtle regulatory shifts? Typically, no.

Speed and unpredictability are not the only enemies of control. In the emerging world of networked, global organisations, it is inevitable that more and more of the resources critical to the success of the firm will lie outside the direct control of a company's managers. The hierarchy is giving way to the network.



De-integration brings greater dependence on suppliers. The scale of R&D investment demands risk-sharing with alliance partners. New opportunities transcend business unit boundaries. Geographic specialisation leaves national subsidiaries dependent on far distant affiliates. As the boundaries of the firm become more imprecise, so do the boundaries of managerial control.

It was once the case that unless you were caught with your hand in the till, or publicly slandered your boss, you could count on a job for life in many large companies. Loyalty was valued more than capability, and there was always a musty corner where mediocrity could hide.

Managers have now gleefully abrogated the social contract between the firm and its employees. The entitlement culture is dead. In one sense, large companies are asking employees to take on the same responsibilities, and risks, they would take on in a start-up, but are denied the corresponding entrepreneurial freedom.

No wonder many bright young things are turning their noses up at big company jobs. In all the talk about the new responsibilities of employees, there is little talk about the new responsibilities of managers. Talk all you like about building a high commitment organisation, but isn't commitment reciprocal? No wonder loyalty ain't what it used to be. Many managers will avow that people are our most important resource, but how many employees feel this to be true?

Employees today are urged to love customers, to have a passion for quality, to work ceaselessly for the benefit of shareholders – all laudable goals. But it is unlikely their commitment to these goals will exceed the commitment shown to them by the company and its executives. Hence the real costs of diminished commitment are likely to be seen not just in plummeting employee satisfaction, but in anaemic customer satisfaction as well.

Extraordinary effort springs from a deep sense of affiliation with an organisation and its goals, whether the organisation is Greenpeace, Save the Children or an evangelical church. Yet much of what managers have been doing over the last several years has been weakening, rather than strengthening the bonds of affiliation between employee and employer. Of course, companies should be intolerant of mediocrity; of course, there should be no room for slackers. But is it possible to build a sense of affiliation and belonging in an organisation that relentlessly prunes away the under-performers?

Experience brings authority. A young mountain climber has much to learn from a veteran who has led an expedition up and down Everest. The assumption has been that the same is true in companies. Hierarchical superiority rests on a supposition that people at the top know more than people at lower levels, that two or three decades of industry experience makes one wise.

Hierarchical superiority rests on a supposition that people at the top know more than people at lower levels . . . the terrain is changing so fast as to make experience irrelevant

Of course, experience is of value only to the extent that the future is, more or less, like the past. Historically, industry boundaries were relatively stable, as were the rules of competition within any industry.

Soft drinks were soft drinks, not fancy foreign waters and exotic flavoured teas. Individuals were savers, not investors, and certainly not international investors. Telecommunications meant universal service brought to you by a monopolist, not value-added services delivered by an up-start.

In industry after industry the terrain is changing so fast as to make experience irrelevant, or dangerous. It is ironic that it is often those managers who have the greatest emotional equity in the past – those with the greatest seniority – that possess the most formal authority.

Those that live closest to the future – the young people – are expected to acquiesce to the accumulated wisdom of older and wiser heads. Companies seldom miss the future because the future is unknowable, they miss the future because experience blinds them to new opportunities.

As industry boundaries converge, industry specialisation may be a handicap. Might the capacity to think across boundaries – to spot opportunities at the juncture of two or more industries, to draw relevant analogies from seemingly unrelated industries – be as valuable as deep experience in a single sector?

Multinational companies were traditionally built around countries – the German subsidiary, the Italian operation, the outpost in Australia. The basic organisational unit was the national subsidiary. Typically, the home market was assumed to be the lead market – the source of innovation and executive leadership.

To a geriatric multinational, suffering from a 50-year legacy of strong and fiercely independent national subsidiaries, global means transnational; it means trying to catch up with the forces of economic and market integration. To a young start-up, global means supranational; it means being a driver of economic and market integration not a bystander. Nike, Sega, Acer, MTV and many others are defining what global means; they are welding together a generation of global consumers; they are linking capabilities. The most successful managers in the 21st century may well be those that carry the least national baggage.

In the machine age, people were ancillary, things were central.

In the information age, things are ancillary, knowledge is central. For more and more companies, the ratio of market value to book value is a multiple of three, five, 10 or more. A company's value derives not from things, but from knowledge, know-how, intellectual assets, competencies – all embodied in people. And none of it is on the balance sheet.

Let the economists and public policy makers debate whether it is somehow more honest, and rewarding, to make and sell things than to make and sell knowledge. The debate is irrelevant. The transition from a world of atoms to a world of ideas, captured and distributed in bits and bytes, is unstoppable. Madonna may have been the material girl, but it was her immaterial assets – copyrights, royalty agreements, digitised images and sounds – that allowed her to satisfy her material appetites.

Intellectual assets do not appear on the balance sheet there is no funds flow statement for knowledge. But shouldn't management, and shareholders, know whether intellectual capital is being created or destroyed? But how do you protect knowledge assets? How do you do an inventory of knowledge?

Why was it CNN and not the BBC that envisioned a world of global television news? Why was it IBM and Compaq understood the significance of the personal computer and not DEC or Unisys? Why was it Viacom that created MTV and not CBS or Bertelsmann? The problem is not one of prediction, it is one of imagination. There is not one future; there are as many potential futures as companies. But any company that can't imagine the future is unlikely to be around to enjoy it.

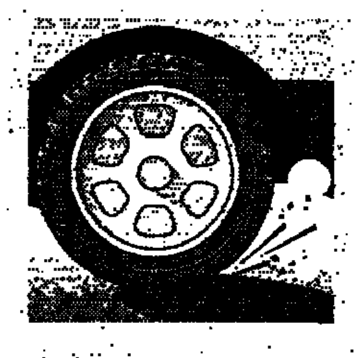
Many are unwilling to invest the enormous energy required to delve deeply into the emerging trends in technology, lifestyle, regulation, demographics and globalisation that point to new opportunities. But, unless one has built a unique and compelling view of the future, one will be caught within the orthodoxies of the past.

Even when it is well understood, the future takes time to assemble. Interactive television, video telephony, home banking, electronic publishing, intelligent vehicle and highway systems – as concepts, all these have been around for decades. And in each case it may well be another decade before they become part of the fabric of our life. But any company that has not been working assiduously for years to build the needed competencies, understand the exact needs, and assemble the required partnerships is unlikely to have a share of the spoils when these opportunities blossom into mega-markets. Getting to the future first is more like a marathon than a sprint. You cannot enter at mile 25 and hope to win.

In the out of bounds world of the information economy the past doesn't have to be an anchor; industry doesn't have to be destiny; borders don't have to be boundaries; employment doesn't have to be servitude; and loyalty doesn't have to be acquiescence. The language, tools, roles and responsibilities of management in this new world are only now being invented.

Our experience, and our answers, rest in the machine age. Our future, and our questions lie in the information age.

The author is Visiting Professor of Strategic and International Management at London Business School. The article is an edited extract from the foreword to the FT Handbook of Management to be published on June 19 by FT Pitman. Price £50.



FAST TRACK

Epic

Two years ago, Epic, a small company specialising in producing interactive media, came close to abandoning its search for UK venture capital.

Since then, multimedia publishing – which combines video clips, text and graphics – has become fashionable with UK investors. Epic, based in an elegant Georgian building overlooking the sea at Brighton on the south coast, has raised new funds and tripled in size to become one of Europe's largest multimedia studios.

The company is riding the wave of the expansion in multimedia publishing, which has resulted from the rapid growth in the number of CD-Rom drives within households. "It [the market] is exploding," says Jim Brathwaite, the 42-year-old chief executive. "The difficulty we have is trying to keep pace with it."

Epic's efforts to keep up have meant breakneck growth. Over the past year, Epic has enlarged its workforce from 50 to 140 and expanded its workload of games, educational CD-Roms and corporate information discs to an average of 50 projects at any time.

It has signed a development funding and publishing deal with Time Warner, the US media giant, which will provide Epic with marketing and distribution channels for releases such as Thumbelina, a read-along, sing-along, colour-in version of Hans Christian Andersen's story.

Brathwaite, who first trained as a biologist, started the company 12 years ago after an early career in pharmaceutical sales and marketing.

After a spell making corporate videos, the company started experimenting with the early forms of multimedia.

As the market expanded, Epic wanted to publish products itself, rather than simply fulfil commissions for others. But the company, which was originally financed by bank borrowings and money from a business "angel", struggled to raise new funds in the UK and considered doing a deal in the US.

Eventually it raised £2m from Questor, the UK venture capitalists, and is now optimistic about its efforts to raise further funds of between £3m and £4m. The expansion that followed the last round of investment, pushed the company into loss, but Brathwaite is confident it will return to the black this year.

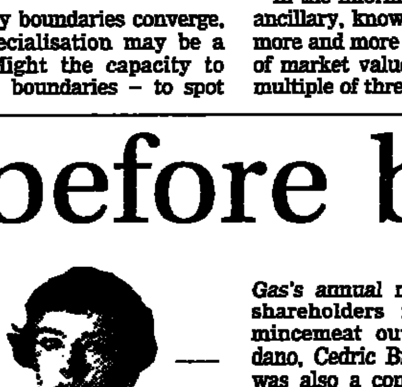
The roots of the business are in commercial work, including training programs, sales presentations and corporate communications, which account for about half the business. Epic has also set up a team specialising in interactive television, to work on interface design for video-on-demand for airlines and telecommunications companies.

Much of the company's growth now is likely to stem from its consumer operations. Brathwaite acknowledges that much of the multimedia software available so far is not particularly inspiring, but believes that will change: "Up to now, multimedia has been the province of technologists. What it needs is creative force."

Brathwaite is a firm believer in British talent at software design, but is frustrated by the UK's failure to harness it in the growth of big businesses. His ambition, he admits, is to buck the trend. "The point is that we could build British companies that could rival US companies."

Vanessa Houlder

When age comes before beauty



LUCY KELLAWAY

"We're determined" said the advertisement in last week's FT. It was one of those silly, trendy ads that don't tell you what they are for, leaving you guessing until you see the paper the next day. Had it turned out to be another gimmick from advertising-mad British Airways I would have taken no notice. But the advertisement came from the Royal Bank of Scotland, and carried an image so unfashionable I found myself studying it carefully. Across the page was the picture of a bald man, close to retirement age with a steely gaze and dour expression.

Banks have a problem in finding appropriate pictures for their advertisements. As they can hardly show piles of lovely money they usually opt for photos of their other supposedly valuable asset: their people. But with the notable exception of Royal Bank of Scotland, they all seem to pick the same employee. She is in the new Citibank ad, and her doubles have been used for a long time by J.P. Morgan and are now being copied by the UK and European banks. She is in her late 30s, pretty, with neat hair and discreet accessories. Sometimes she wears glasses for extra gravitas; always she is engaged in an earnest business discussion.

I find her far more offensive than the half naked lady with the triple E cup in the Wonderbra ads. She is a lie and a cliché, and the banks should not be allowed to have it both ways. On one hand, they are trying to get across the idea that they have masses of senior women working for them (which they do not), and on the other, they are trying to sell their wares through soft sex, just as airlines do with pictures of smiling air hostesses.

In any case, I doubt if the image is particularly effective. I would not be at all surprised if the old fellow in the Royal Bank of Scotland picture brings in more clients than the sleek blonde. Youth and beauty are all very well, but when it comes to getting someone to look after your money you want a canny old cove with experience.

On the subject of grey power, I agree with the reader who wrote last week saying the company developing the tiny Mercedes Smart car should not congratulate itself that all its workers are under 35.

Young people are supposed to be more innovative, more receptive to change, more energetic and dynamic. But are they really? Bill Gates might have been barely out of nappies when he started Microsoft, and Richard Branson was young when he set up Virgin Records, but I doubt if they are typical. Business schools are forever researching the different management attributes of men and women; I wish they would study whether managers and entrepreneurs are more effective at different stages in their lives. I suspect such research would knock on its head the theory that young equals creative and old equals successful. People like Gates will always be creative and energetic – and unimaginative sluggards are just as bad whether they are 20 or 60.

Not all the 4,600 people at British Gas's annual meeting were angry shareholders intent on making mincemeat out of Richard Giordano, Cedric Brown and co. There was also a contingent of watchful spies from other companies, there to pick up tips on how to manage their own livid shareholders when their turn comes round. For them the day must have been most instructive. Giordano's skill in keeping the lid on the six-hour meeting and dealing with the cries of "bullshit" and worse was masterful. In that six hours he earned a good chunk of his £470,000 salary.

Less terrific was his debriefing of journalists later when he boasted of "lancing the boil" of shareholder opposition and said the new British Gas pay structure was "a fast moving train and let's see where it takes us". It was an unfortunate metaphor with its gravy train connotations and the implication that when it came to management pay you ain't seen nothing yet.

I can only assume the reference was wishful thinking, and he was longing to get away himself, as his other business interests overseas were already beckoning.

If your organisation has been downsized, then you must upsize yourself. I know this because I have just been looking at an exciting new book called *Upsizing the Individual in the Downsized Organisation** written by a pair of researchers at the Institute for the Future in San Francisco. I was disappointed to learn that upsizing yourself turns out not to involve eating more sweets and cakes and forgetting about the gym, but has to do with chaos theory. The book explains that in between the chaotic outside and the still centre fascinating things are happening. Those individuals who work at the edges rather than at the corporate centre are the upsized ones, and the future apparently belongs to them. So now you know.

* *Century £9.99*

Atherton as Player/Gentleman

Simon Kuper discusses the changing class structure at the top of English cricket

Mike Atherton, England's cricket captain, and Ray Illingworth, the team's omnipotent supremo, may have changed cricket forever even if they fail to survive the summer. Ten years ago, writing in the journal *New Society*, my father Adam Kuper explained how press, public and selectors chose England cricket captains. He argued that though English cricketers were no longer officially divided into unpaid "Gentlemen" and paid "Players", as they were until 1963, the two categories survived in people's minds. Captains like Ted Dexter, Colin Cowdrey and David Gower were still considered Gentlemen, even though they were paid to play cricket. Educated at Cambridge or public schools, they were seen as intelligent and sporting captains blessed with natural authority.

Men like Brian Close, Illingworth himself, and Mike Gatting were Player captains. They had regional accents, no university degrees, and were considered less imaginative than the Gentlemen. Illingworth, who had a huge cricketing brain, was always described as "canny".

Player captains were also thought to be tough, and keen on discipline. Graham Gooch was often called a "sergeant major".

My father claimed that Player and Gentleman captains alternated. When a Player failed, it was thought to be for his typical Player flaws: Gatting had to go when a barmaid was found in his hotel room ("a *barmaid!*"), particularly in the wake of the Shakoor Rana affair, in which he had called a Pakistani umpire a cheat. Gooch and Ian Botham were considered lacking in ideas, and were replaced by Cambridge men.

When a Gentleman failed, it was thought to be because he lacked competitive spirit. Gower was once said to have declared too late because he had been watching tennis on television in the pavilion. Dexter preferred golf.

For decades the captaincy swung back and forth from one caste to the other. With Atherton the pendulum has stopped, for he is Player and Gentleman in one.

On the one hand, he comes from Lancashire, supports Manchester United, works for his runs, has been fingered for ball tampering, and says little. "Michael's a tough character," Illingworth acknowledges.

On the other hand, he went to Cambridge, reads Joseph Heller, and is more articulate than his predecessor Gooch. Illingworth says: "If there is a problem, it's that Athers came into cricket straight from Cambridge University. He has never been out to work in his life."

Because Atherton is two in one, he is harder to sack than his predecessors – as Illingworth may find this summer. Atherton has the Player qualities of his potential successor, Alec Stewart, and some Gentleman ones to boot.

When he rubs dirt into the ball, or runs out of ideas, what is the nation to do? Call for a captain who went to Cambridge? And when Atherton's shoulders slump, and his teams lose interest in winning, the nation can hardly unearth a gritty Lancastrian to sort things out.

The conundrum will persist, for Atherton is a product of modern Britain: a middle class boy who went to university. Future England captains may be in the same mould. John Crawley, for instance, is another Cambridge man playing for Lancashire who likes his football.

Simultaneously, the captain's role has changed. Atherton's job is becoming more like that of David Platt, this month's England football captain.

That is because Illingworth is now as powerful as a football manager. Until this spring, England cricket teams were led by a *junta* of captain, manager and chairman of selectors. The captain made decisions on the field, and had the biggest say in team selection. The manager and chairman tried to influence him.

Usually, the manager was a Player (Mickey Stewart, Keith Fletcher) and the chairman a Gent (Peter May, Dexter). This divide ended with Dexter, who was thought to possess all the worst Gentleman qualities. People were so angry that his successor and antithesis Illingworth received great powers. Then, this spring, Fletcher was sacked as England manager. Illingworth swallowed the job while remaining chairman, like a Soviet general secretary becoming prime minister. He now tries to boss Atherton around.

Illingworth wants an England captain who takes the field with a piece of paper on which the manager has drawn the field placings; one who turns to the balcony to be told what to do on winning the toss. Captaining England becomes like captaining a school team under a bossy master. It also becomes rather like captaining a football team. In football, the manager chooses the team and the tactics. The captain simply leads by example.

Atherton may not like this, and if England lose Test matches against the West Indies, Illingworth might find himself a new captain. Alec Stewart might well obey orders. But if Stewart fails too, Illingworth's own job will be at risk. And that takes us to the third change of this year. The "Old Fart" – the country solicitors and other old buffers who run the Test and County Cricket Board and thus the game – have lost some of their power in cricket, as they have in rugby and football. Old Farts were christened by Will Carling, the England rugby captain, and as Carling found, they are keener on good behaviour than on winning. When cricket's chairman of selectors was still a Gentleman, the Old Farts had a direct line to the top. They appointed the chairman – and still do – but more importantly, he was an Old Fart too.

Dexter and May minded that Gooch seldom shaved, that Gower swooped over an England game in an aeroplane, that Tony Greig consorted with the vulgar Australian Kerry Packer. A captain had to behave.

But Illingworth is no Gentleman. He sides with Terry Venables, England's football manager, who considers the ex-convict Tony Adams an acceptable captain.

For Illingworth, the only sins are losing and insubordination. The Old Farts are growing restive, and may rise if Illingworth the Player appoints Stewart the Player. England's captain and omnipotent supremo could both be in for a troubled summer.

MUSIC

■ The grandest tenor voice in opera tackles one of the looniest yet best-loved works – Luciano Pavarotti (Manrico) is joined by Leo Nucci (Count Luna) and Shirley Verrett (Azucena) in Decca's new *Il Trovatore*, but it is Antonella Banaudi as Leonora whose clean, sweet voice is the real delight. Zubin Mehta conducts the Orchestra e Coro del Maggio Musicale Fiorentino.

□ **Stephen Sondheim's reputation as one of the great musical lyricists has overshadowed his achievements as a composer – at least that is the view of a group of top jazz musicians who have made *Colour and Light: Jazz Sketches on Sondheim* (Sony). It is a very classy album indeed, consisting of jazz versions of some of Sondheim's best-known tunes – highlights include Terence Blanchard's trumpet solo on "Poems" from *Pacific Overtures* and Wayne Shorter's soprano sax joining vocalist Holly Cole and her trio for "Losing My Mind" from *Follies*.**

■ Think Isaac Hayes – mean, moody, shaven head, theme from *Shaft*, love machines, plenty of wah-wah guitar. It was no less than quarter of a century ago, but little has changed on the evidence of *Branded* (Pointblank), which starts with some banter on saving the planet before settling into the familiar, and rather monotonous, groove. There is even a limp version of John Sebastian's wonderful "Summer in the City", which does rather suggest a shortage of ideas.

□ **My campaign to rehabilitate long(ish)-forgotten singer-songwriters is given a boost this week by Al Stewart's pleasing new album *Between the Wars* (EMI), a concept album on Europe in the 1920s and 1930s which has wit, intelligence and a fair amount of swing, thanks to Laurence Juber's warm production and tasteful guitar-playing.**

■ A good week for Beethoven piano music: Till Fellner records the Piano Concertos Numbers Two and Three on Erato, with Sir Neville Marriner conducting the Academy of St Martin in the Fields; Murray Perahia takes on the Piano Sonatas Numbers One, Two and Three on Sony.

Peter Aspden

Luciano Pavarotti: tackles one of looniest yet best-loved works

FILM/VIDEO

■ In a bad Martini, someone said, there is always the olive.

In a bad-to-middling movie there can always be the surprise performance.

In *Killer* and *Kiss Of Death*, two thrillers as interchangeable as their titles, Mimi Rogers and Nicolas Cage are worth braving rain, wind and babysitter bills to see.

Rogers, a modern-day Stanwyck, has been better in every film since *Someone To Watch Over Me*. In *Killer* she is stunning as the woman who engages a hit-man – to hit herself – and then finds love interfering with death.

Cage as the crazed master-crook in *Kiss Of Death* takes over from Richard Widmark in the 1947 original. His performance is pure postmodernism: scat, comical, horrifying, near-parodic.

Cage looks like the incredible hulk – it must be those nightclub girls his character arm-lifts instead of barbells – and sounds like Cagney on mind-drugs. When you are not delightedly giggling, you are hiding under the seat in terror.

□ **It is 'actors week' all round. Stockard Channing earned an Oscar nomination for her work in the filmed play *Six Degrees Of Separation*. And the British love-and-fatherhood comedy *Jack And Sarah* has everyone you could possibly find in the Luvvies Yellow Pages, from Richard E Grant and Judi Dench to Cherie Lungi, Eileen Atkins and Sir Ian McKellen.**

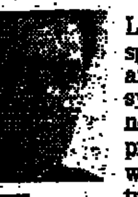
■ If you want a good movie as well as good acting, you should turn to the VCR. Out this week are one venerable Hollywood classic, Lewis Milestone's anti-war movie *All Quiet On The Western Front* (1930); one mould-breaking crime thriller, Arthur Penn's *Bonnie And Clyde* (1967); and one 1952 Japanese film that shows the astonishing post-war heyday that country went through while America was cranking out rubbish in Cinemascope and 3D.

Mizoguchi's *The Life Of Oharu*, a 17th century courtesan's tale by turns lyrical, brutal and heartbreaking, proves that great cinema is unmistakable and irreducible even on video.

Nigel Andrews

Mimi Rogers: stunning as the woman who engages a hit-man

E-mail from your washing machine?



Tim Jackson

Last week, a company specialising in industrial and domestic control systems announced a new product that could prove a milestone in the worlds computer industry. It was not the product itself – a fairly standard piece of industrial control equipment – that was surprising. Rather, it was the fact that the product was compatible with a new software standard called Nest, or Novell Embedded Systems Technology.

Nest is a system which allows electronic equipment of all kinds to receive instructions and to respond to them just as if they were computers on a network. Announced in February after two years of development, the system deals only with the most basic layer of communication between machines – so it can work with different microprocessors and different computer operating systems.

Last week's new product may be only the first of a very long line of new Nest-compatible gadgets. Novell, the computer networking company which launched the technology in February, has already released a list of 100 forthcoming Nest products promised by its partners across the world. Faxes, copiers and printers are due from Canon later this month; by the summer, other office-equipment manufacturers, including Ricoh, Lexmark, Fujitsu and QMS, will follow suit.

Novell's hope is that by 1998, it will be earning hundreds of millions of dollars a year from Nest – and that by 2000 a total of 1bn machines across the world, ranging from cars to washer-dryers, from fax machines to mobile phones, will be wired into a single Nest network. Such is the prediction that Bob Frankenberg, chief executive, has made in public.

Many people who have a feeling for high-tech history will be tempted to say that Frankenberg has sat for a little too long in the Utah sun. But his astounding prediction may make more sense than it seems at first sight, and it is worth looking at Nest in more detail to see why.

Turning 'pervasive computing' from a slogan into a reality has already been tried twice without success. The first attempt was by a Japanese university professor called Ken Sakamura, who more than ten years ago invented a system called Tron which he hoped would allow people to telephone their homes from work and key in some numbers that would close their curtains, switch on the oven and run a bath.

Sakamura's idea was taken up with some enthusiasm by Japanese electronics companies, who hoped it would allow them to conquer new markets. But it foundered on two obvious rocks: first, the lack of intelligent machines worth connecting together, and second the unwillingness of consumers to pay a very high price for functions of dubious usefulness.

The second attempt at pervasive computing, Microsoft's At Work project, was a little more serious. Never a company that was constrained by excessive modesty, the Seattle-based software house tried to develop a standard that would allow office machines to talk to each other and to accept commands from Windows-based personal computers. But equipment makers reacted coolly to the idea – partly because Microsoft demanded a high price for using the At Work standard which left them little room to profit, and partly because the standard sought to impose a standard 'look and feel' which would force manufacturers to compete with each other only on price.

Why, then, does Novell think that it can succeed where these two attempts have failed? One reason is that the Utah-based networking company already has a body of technology and a reputation in the underlying technology of computer networking: some 50m terminals across the world are linked to Novell PC networks.

A second reason is that Novell has approached the idea of pervasive computing with less hubris. Instead of asking manufacturers for $50 or more in licensing fees per machine, it is demanding only $12-$15, and often much less. Instead of seeking to impose its own 'front-end' on every machine, it is allowing equipment manufacturers and integrators to design their own interfaces for the user. As a result, the Nest standard can work with many different microprocessors and operating systems.

Most importantly, the conditions outside are now right. Interest has been awakened by the abortive Microsoft launch; and there is a large installed base of potentially compatible machines and customers who are familiar with the concept of computer networking.

The project was first conceived two years ago when Novell was trying to decide what to do with Digital Research, a software company in Monterey, California that it had acquired. Darl McBride, a senior manager who was kicking his heels at Novell's headquarters in Utah, after returning from a spell running its Japanese operations, was sent down to look at Digital's work in linking cash register networks together, and to see whether it might have any wider applications. Nest was the idea he came up.

McBride has a zealot's gleam in his eye as he talks of the possibilities. Companies are looking at Nest to reduce energy costs by controlling water and electricity meters, to improve the reliability of office copiers by testing them down telephone lines and sending engineers with new toner before it is even needed, and to raise the stakes of slot machines by allowing a jackpot prize to be offered to a single winner across hundreds of networked one-armed bandits.

It will be another year or so before anyone can judge the projects chances. But if Novell manages to keep its modesty, and if the desire of machinery manufacturers to add value by making their products more intelligent continues to increase, then pervasive computing may just become a reality.

When it does so, McBride believes, computing will simply fade into the background and we will become conscious that our machines are wired up only when we receive messages from them. E-mail from your washing machine? Remember where you heard it first.

● Tim Jackson can be reached at *t.jackson@pop3.demon.co.uk.*

Art of the possible

Alice Rawsthorn explains why the Whitney has joined the Web

Any art buffs in Milan or Milwaukee who are itching to see the 1995 Biennial exhibition at the Whitney Museum, but can not trek all the way to Manhattan, can now check it out on their computers.

Some of the Biennial exhibits are displayed in digital form on the Whitney World Wide Web site which went on line a few weeks ago. After their virtual visit to the Biennial, the art buffs can then move on to other pages to extract information from the Whitney's database, or browse around the museum's permanent collection before joining in a debate on the politics of censorship or the future of painting.

The Whitney Web site is part of a surge of online activity in the art world. Other museums, such as the Los Angeles County Museum of Art and the Andy Warhol Museum in Pittsburgh, have their own Web sites. The Serpentine art gallery in London set up a special site for this spring's Take Me I'm Your's exhibition. Contemporary artists, such as Nam June Paik and Jenny Holzer, are creating original works for the Internet. David Ross, the Whitney's director, believes that these experiments will transform the role of museums like the Whitney in the future.

"Our Web site allows us to reach out to a wider audience by helping people who can't physically come to the museum to take a look at what we're doing here and access information," he says. "It also takes us to new areas by opening up an incredible dialogue between the Whitney's staff and the public."

One of the main aims of the Whitney Web site is to promote the museum's traditional role as a forum where the public can see selections of works of art defined by particular themes, in its case to study 20th century American art. Some pages on the Web site offer information on the museum's opening times and forthcoming exhibitions. Others enable people to enrol as patrons or to order catalogues and merchandise from the Whitney's shops.

Ross does not envisage that looking at digital images of the Whitney collections will ever become a substitute for visiting the museum. The paintings and sculpture owned by the Whitney were, after all, intended to be looked at by the human eye, not diluted down into digital form. He prefers to see the digital archive as a taster to tempt people into the museum or, in the case of the art buffs in faraway Milan or Milwaukee, as an alternative to the conventional catalogues the Whitney usually publishes for exhibitions.

However, the Whitney is also using the Web site as a forum for the new genre of art being created specifically for the Internet. It has started by commissioning a digital art project from Lowell Darling, a Californian conceptual artist. It has asked other artists such as Laurie Anderson, Jenny Holzer and Barbara Kruger to create original pieces for future display on the Web site.

These commissions will enable the Whitney to play the same catalytic role in the development of digital art, as it has in other new media such as video and installation art. "We're very excited by the work in this area," says Ross. "It will turn the Web site into our own virtual museum."

Going online also enables the Whitney to interact with the public rather than restricting itself to the traditional role of a museum as a monological institution. Anyone interested in the Whitney's activities, or in offering opinions on particular issues or exhibitions, can convey them to members of staff by e-mail. Ross has set up a Director's Office page on the Web site where people can leave messages to which he or his colleagues can respond.

The Whitney is extending this dialogue with the public by organising online debates on topical issues such as the Politics of Censorship and the Future of Painting. It has been running these debates for the past eight months on Echo, the New York-based online network. Anyone who wants to participate in a debate can post an electronic essay or statement on the relevant Echo bulletin board. Alternatively they can respond to a message that someone else has posted there, or just look at what the other participants have written.

These online conferences are much more flexible than the conventional seminars or debates that the Whitney holds at the museum. They are open to more people. It is easier for individuals to express their views. And there are no constraints on timing.

Ross sees conferencing as a critical component of the Whitney's plans to expand its role as a cultural catalyst by stimulating debate.

The Whitney's Internet address is: *http://www.echony.com/-whitney.*

Surprise results from Orlando

By Raymond Snoddy

The first three months of Time Warner's ambitious experiment in interactive networks in Orlando, Florida, have produced surprising indications of what sort of services consumers use most.

Far ahead of things like video on demand, the early customers of the network value the ability to order stamps from the post office, without having to queue, and letting the post office know interactively when they want a parcel collected.

The annual meeting of the European Cable Communications Association in Zurich last week was told of the surprising popularity of the two postal services by Jeffrey Schwall, president of Time Warner's international cable operations. The Orlando experiment has only been going for three months and so far about 100 homes are connected to the network. the aim is to increase this to 4,000 by the end of 1995.

The first three months have also been free. The true test will begin this month as Time Warner starts charging for the wide range of services, chosen off an on-screen carousel.

● In Zurich, Cyrille du Peloux, chairman of Lyonnaise Communications, the French cable operator, said the company was about to launch interactive services in Paris – offering everything from home shopping and banking to virtual museums and connections to the Internet.

DreamWorks team: Steven Spielberg (centre), Jeffrey Katzenberg (left) and David Geffen

DreamWorks deal: say goodbye to Sillywood

By Louise Kehoe

Combine Silicon Valley's technology and Hollywood's creative artists and what do you get? Too often, "Sillywood" ventures turn out to be an unworkable clash of cultures and priorities.

The latest such partnership appears, however, to be more promising. DreamWorks SKG, the film studio formed last October by film director Steven Spielberg, record titan David Geffen and former Walt Disney Studios chief Jeffrey Katzenberg, has allied with Silicon Graphics, the leading manufacturer of graphics computers and software, to create an all-digital film production studio in Los Angeles.

Silicon Graphics has a track record of working well with the film industry. The company's computers created the life-like dinosaurs for Jurassic Park, and its 3D workstations were used for the special effects in "Casper", the latest film released by Spielberg's production company, Amblin Entertainment.

Unlike other entertainment-technology partnerships aimed at transforming Hollywood's creative content into new media, such as interactive computer games, the end products of this latest match up will be shown on the cinema's traditional big screen.

The partnership, nonetheless, has ambitious goals. "We aim to do things that people have never seen before," says Katzenberg. The companies plan to create an advanced computer animation production system called the Digital Animation Dreammachine (DAD) in a jointly funded US$50m (£31.8m) project.

Also playing an important role will be Cambridge Animation Systems, a British software company that is a leader in the development of software for cartoon animation for films, television, computer games and multimedia productions. Silicon Graphics plans to take a minority investment in Cambridge Animation Systems in order to cement the deal.

"DAD will give us the tools to produce sophisticated optical effects, an unlimited colour palette, and the ability to take audiences into the picture for unique visual and dramatic entertainment experiences," says Katzenberg.

The digital studio equipment will also reduce the costs of film production, says Spielberg. "I'll be able to make a movie that otherwise would not be affordable."

The digital production studio will be owned and managed by DreamWorks, but Silicon Graphics will continue to provide the latest computer software and hardware for the facility. Silicon Graphics plans to turn technology developed for DreamWorks into products that it will make available to other film makers through its Silicon Studio subsidiary.

"It's kind of like 'Field of Dreams' reversed. If we come, they will build it," says Spielberg.

GNN bid: takeovers arrive in cyberspace

By Louise Kehoe

The first takeover in cyberspace is about to take place when Global Network Navigator, a World Wide Web site that pioneered the use of advertising-supported publishing, is acquired by America Online, the leading US commercial online service. With an estimated 400,000 regular readers, GNN, a subsidiary of the publishing group O'Reilly & Associates, provides one of the most popular sites on the World Wide Web.

"The sale is significant in that it is the first time a value has been placed on an intellectual property that comes from the Internet," said Tim O'Reilly, president of GNN. AOL will pay around $11m (£7m) in stock and cash.

The acquisition also reflects mounting competition in the online services market. AOL said that it plans to establish GNN as the core of a new Internet service to be launched on August 24. It is no coincidence that Microsoft has chosen the same date for the introduction of its new online service, called The Microsoft Network (MSN).

MSN represents a competitive threat to AOL and other consumer-oriented commercial online services, such as Prodigy and Compuserve.

But bigger challenge facing both existing and new commercial online services is the increasing popularity of the Internet. Bypassing the subscription services, growing numbers of consumers are dialing into the global computer network via local Internet access providers.

The online services market is becoming segmented, said Steve Case, president of AOL. "Most consumers want a broad range of services, with simple and affordable pricing .. but a growing number are beginning to seek an Internet-only solution, paying separately for services they use."

GNN is aimed at the latter group. In addition to the free information it currently offers, the service will be expanded to include a wide range of pay-per-use features provided by third parties.

GNN can be found on the WWW at *http://www.gnn.com.*

VOD becoming an interactive loss leader

By Raymond Snoddy

Video on demand is turning out to be the loss leader rather than the "killer application" of the interactive media revolution, according a study on Digital Video by the Stanford Research Institute. SRI International believes video on demand, as substitute for renting video tapes, would attract subscribers to an interactive network. The problem would be cost.

SRI says that, at least in the short-term, digital broadcasts offering near video on demand – showing a small number of hit films at staggered starts so that the viewer is never more than 15 or 20 minutes away from the start of a movie – will be "the right service" compared with full-service VOD technologies.

So if VOD is not going to be the financial engine which will drive interactive networks, what will?

SRI points out that the most obvious answers – interactive shopping and advertising – are hardly out of the conceptual stage. The problem with both is that they require substantial amounts of bandwidth and use of the video servers that hold database information. This use is "free" to the customer but not to the operator. "Compared to VOD, where a purchase of a movie guarantees a certain amount of revenue for network utilisation, an interactive shopping application could have customers exploring the virtual mall all day, only to end without any purchases," says SRI. In the longer term, when the cost of bandwidth comes down, such a scheme may be feasible. But for the crucial transition phase "it is uncertain to say the least".

As a result, everyone, from network operators to equipment suppliers, is trying to include business applications into the package. In its trial in Omaha, Nebraska, US West, the regional US telephone company, is moving to a network which can include services for smaller businesses and professionals working from home. "On the vendor side, companies such as Oracle, which focused only on residential TV, are now tailoring their technologies for business applications as well," says SRI.

It believes another short-term "right service " is downloading interactivity by broadcasting such things as games to a terminal in the home. Digital direct broadcasting by satellite in the US has surprised most observers with its early successes. The fact that consumers are prepared to pay quite significant amounts for more programmes and better quality sound and pictures is a good sign for the longer term, says SRI.

Digital Video – Leading Company Strategies. SRI International, Europe Menlo House Park, 4 Addiscombe House, Croydon, CRO 5TT, England

The time has arrived to get virtually drunk

By Louise Kehoe

Browsers on the Web have a treat in store next weekend when they will be able to participate in the exclusive Napa Valley Wine Auction, an annual charity fundraiser supported by some of California's most prestigious wineries.

Virtual Vinyards will give Internet users the chance to bid on eight lots of fine wines. Founded last year by Master Sommelier Peter Granoff, Virtual began selling wines via its Web pages four months ago.

The Internet site includes close to 1000 pages of inside information about winery owners and wine makers and their products. There is a question and answer section where visitors can ask Granoff, the "Cork Dork", for recommendations on the best wine to fit a dinner menu or his opinion on a particular vintage.

Internet users can register for the wine auction from June 6. Bidding will take place on June 10. Virtual Vinyards can be found at *http://www.virtualvin.com.*

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Chichibu Onada Cement 5.75% Bd '97 Y575000.0
Davis Service 5.63p
Dickie (James) 2p
ENSERCH $0.05
Fuji Bank Intl Fin Un Sb VRN $1814.72
Gillette $0.30
Gowrings 1.25p
Hamleys 5p
Highlands Distillery 1.9p
IBM Credit FR Yen-Lkd Nts Dec 4 '95 $341.25
Japan Airlines 7½% Bd '96 FFr750
Manders 8.1p
Mitsui Toatsu Chems 7¼% Bd '98 Y725000.0
Nippon Tel & Tel 8¾% Nts '97 ECU87.50
Northern Ind Improvement Tst 25p
Prudential Fin 9⅜% Bd '07 £468.75
Rockwell Intl $0.27
Sanwa Fin Aruba Step-up FRN Sept '02 $853.13
Scottish Television 11.8p
Senior Engineering 2.1p
Smithkline Beecham Cap 7¾% Nts '98 £77.50
Sumitomo Bk Cap Mkts F/Fxd Rate Nts '02 $37031.94
Sumitomo Heavy Inds 3.4% Nts .98 Y340000.0
Sweden 10⅝% Nts '98 C$106.25
Ulster Television 12.5p

■ **TOMORROW**
Astec (BSR) 0.8p
Irish Permanent Treas FRN '97 £172.07
Jupiter Euro Inv Tst 0.7p
Nestle Sw Fr26.50
New Central Wit Areas R0.87
Thomson Clive Inv 3.8p
Trace Computers 0.55p
Wace 3.75p

■ **WEDNESDAY JUNE 7**
Broken Hill Props A$0.26
Higgs & Hill 1.5p
Northern Rock Bldg Scty Sb FRN '02 £2053.73
Norway FRN Dec '02 $164.31
ORIX 8.125% Nts '95 Y4062500.0
P & O Prop Hldgs 7½% 1st Mort Db '97/02 £3.75
Sharpe & Fisher 3.3p
Singer & Friedlander 2.1p
Treasury 8% 2000 £4.8877
Woolwich Bldg Scty FRN '96 £173.92

■ **THURSDAY JUNE 8**
Abbey Natl Trees Services FRN '99 $15.97
Ben Bailey Construction 0.75p
Bank of Ireland VRN $1868.75
Boosey & Hawkes 4.58p
Cardiff Auto Rec. Sec. (UK) No.2 A FRN '97 £184.63
Do Mezzanine FRN '97 £211.10
City Centre Restaurants 1.55p
Midland Independent News 2.2p
Natl Australia Bank Sb VRN 2000 £179.90
NatWest Bank VR Cap Nts '09 £182.74
Nationwide Bldg Scty FRN '95 £174.63
Nippon Chemi-Con FRN '96 $366.05
Nippon Credit Bank Fin F/Fxd RN June 10 '04 $3728.47
Do F/Fxd RN Dec 8 '04 $3728.47
Portman Bldg Scty FRN '97 £176.44
Reed Intl 5% 1.75p
Do 7% 2.45p
Sotheby's Hldgs 'A' Lim Vtg $0.06
Standard Chart Un Prim Cap FRN $355.15
Uppsala (City) FRN '98 $357.05
Venturi Inv Tst 2.34p
Wyefield 0.5p

■ **FRIDAY JUNE 9**
Allied Signal $0.195
Anglo Am Inv Tst R3.03
Anheuser-Busch $0.40
Boot(Henry) 5.25p
Challenge Bank FRN '97 $17.03
Dun & Bradstreet $0.66
European Inv Bank 9½% Ln '09 £237.50
Flash Ser Kappa Secd FRN '97 Y651666.0
Gestetner Hldgs 1.8p
Halifax Bldg Scty FRN ,99 $16.13
Halstead James 3p
Inv Cap Tst Inc Ann Res Vtg 1.325
Do UNITS 1.325p
Ipeco 2.3p
JBA 2.5p
Jerome (S.) 1p
Laing (John) 6p
Do ORD 'A' (Non Vtg) 6p
Laird 6.9p
Liberty 5.35p
Lloyds Chemists 2.9p
Mirror Grp 2.5p
New City Comm Inv Tst 2.85p
St. Ives 2.5p
Sime Darby Bhd M$0.02
Sunleigh 0.05p
Texaco Cap $0.80
Treasury FR £1.6399
VSEL 30p
Warner-Lambert $0.65
Yule Catto 11.5% Cm Red Prf '98/03 5.75p

■ **SATURDAY JUNE 10**
Exxon $0.75
General Motors $0.30
Houston Inds $0.75
Leeds Perm Bldg Scty 13⅝% £3406.25
Treasury 8% '03 £4
United Technologies $0.50

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
EIS Grp, The Brewer's Hall, Aldermanbury Square, E.C., 11.00
Headlam Grp, The Belfry, Lichfield Road, Wishaw, Warwickshire, 10.30
Perry Grp, Cambridge House, Bluecoats Ave, Hertford, 12.30
BOARD MEETINGS:
Finals:
Anglian Water
BAA
Critchley Grp
Electrocomponents
Ensap
London Industrial
Radstone Technology
Wah Kwong Shipping
Wyndeham Press Grp
Interims:
Faber Prest

■ **TOMORROW**
COMPANY MEETINGS:
Abbott Mead Vickers, Four Seasons Hotel, Hamilton Place, Park Lane, W.,11.00
Aerostructures, Charing Cross Hotel, Strand, W.C., 11.00
BDA Hldgs, Founders Court, Lothbury, E.C., 12.00
Bodycote Intl, The Holiday Inn, Peter Street, Manchester, 11.00
Brammer, Glazier's Hall, Montague Close, S.E., 12.00
Higgs & Hill, The Howard Hotel, Temple, W.C., 12.00
Parity, Salters Hall, 4,Fore Street, E.C., 11.00
Plantation & General Inv, 1, St. Paul's Churchyard, E.C., 11.00
Singer & Friedlander, 21, New Street, Bishopsgate, London, E.C., 12.30
Stylo, Stylo House, Harrogate Road, Apperley Bridge, Bradford, 11.00
S & U, Plough & Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.30
BOARD MEETINGS:
Finals:
Albe
Allied Colloids Grp
Amersham Intl
Anglian Grp
Ascot Hldgs
Beverley Grp
Blacks Leisure Grp
CPL Aromas
De La Rue
Edinburgh Inc Tst
European Colour
Gartmore Shared Equity
Meyer Intl
NSM
Nuclear Electric
Powerscreen Intl
Seeboard
Staveley Inds
Thames Water
Vodafone Grp
Yorkshire Water
Interims:
Apollo Metals
Edinburgh New Tiger Tst
River Plate & Gen
Sheriff Hldgs

■ **WEDNESDAY JUNE 7**
COMPANY MEETINGS:
Aegis Grp, 2,Eaton Gate, S.W., 11.00
AMEC, Midland Crowne Plaza Hotel, Peter Street, Manchester, 12.00
Asda Property Hldgs, Ironmonger's Hall, Shaftesbury Place, Barbican, E.C., 10.30
Brown & Jackson, 135, Bishopsgate, E.C., 10.00
Cementone, 29, Gresham Street, E.C., 10.30
Chime Comms, The Dorchester Hotel, W, 9.00
Cussins Property Grp, The Northern Counties Club, Hood Street, Newcastle upon Tyne, 11.45
Frost Grp, The Brewery, Chiswell Street, E.C., 11.00
Havelock Europe, Mossway, Hillend Industrial Park, Dalgety Bay, Fife, 12.00
Hopkinsons Grp, The Copthorne Hotel, Salford Quay, Manchester, 3.45
Inspec Grp, Winchester Guildhall, Winchester, 12.00
Lionheart, The Moat House, Altrincham Road, Wilmslow, Cheshire, 11.00
London & Assoc Inv Tst, 8-10, New Fetter Lane, E.C., 12.00
London & Manchester, Armourers' Hall, 81, Coleman Street, E.C., 12.15
Panther Securities, Churchill's Public House, Mount Pleasant, W.C., 12.30
Quicks Grp, Centre House, Ashburton Road East, Trafford Park, Manchester, 12.00
Select Appointments , Grosvenor Rd, St. Albans, Hertfordshire, 10.30
Tarmac, International Convention Centre, Broad Street, Birmingham, 12.00
United Inds, 26, Finsbury Square, E.C., 10.30
William Jacks, Sunningdale Carriage Co , London Road, Sunningdale, Berkshire, 12.00
BOARD MEETINGS:
Finals:
Airsprung Furniture Grp
Capitol Grp
Davenport Knitwear
Drummond Grp
Fairbairn Euro Sm Co
Hambros
Henderson Admin Grp
Ingham
Johnson Matthey
Leigh Interests
Northern Investors
RPC Grp
Interims:
Chemring Grp
City Site Estates
Crabtree Grp
Daily Mail & Gen Tst
For & Col Special Utilities
French
Granada Grp
Greencare Grp

■ **THURSDAY JUNE 8**
COMPANY MEETINGS:
Austin Reed Grp, 16/21, Sackville Street, W., 12.00
City Centre Restaurants, The Grosvenor Thistle Hotel, Buckingham Palace Road, S.W., 11.00
Costain Grp, Glazier's Hall, 9, Montague Close, London Bridge, S.E., 12.30
Elys (Wimbledon), 22/26, Wimbledon Hill Road, Wimbledon, S.W., 6.00
Etam, Royal Institute of British Architects, 66 Portland Place, W., 10.30
Foreign & Colonial Pacific Inv Tst, Exchange House, Primrose Street, E.C., 12.00
Hartons Grp, Alban Gate, 125, London Wall, E.C., 12.00
Hewtal Whiting Hldgs, Radford Semele, Southam, Leamington Spa, Warwickshire, 11.00
Hewden Stuart, The Glasgow Royal Concert Hall, Buchanan Street, Glasgow, 12.00
INVESCO, The Queen Elizabeth II Conference Centre, Westminster, S.W., 12.00
Tilbury Douglas, Barber Surgeon's Hall, Monkwell Square, E.C., 11.30
BOARD MEETINGS:
Finals:
Alphameric
Chubb Security
London Ins Mkt
Northumbrian Water Grp
Oxford Instruments
Pilkington
600 Grp
3i Group
Interims:
Blick
Chrysalis Grp
Dewhurst
GWR Grp
Widney

■ **FRIDAY JUNE 9**
COMPANY MEETINGS:
Bentalls, Guildhall, Kingston upon Thames, 11.00
How Grp, Birmingham Chamber of Commerce & Industry, Harborne Road, Birmingham, 12.00
Magnolia Grp, The Registry, Royal Mint Court, London, 11.00
Martin Intl Hldgs, Swallow Hotel, South Normanton, Derbyshire, 12.15
Middlesex Hldgs, Langham Hilton, W., 11.00
Morgan Crucible Co, Hotel Intercontinental, One Hamilton Place, Hyde Park Corner, W., 12.30
Reed Executive, 114, Peascod Street, Windsor, 3.00
Richards Grp, 55, Colmore Row, Birmingham, 12.00
Shorco Grp Hldgs, Cross Green Way, Leeds, 12.00
Tesco, The Merchant Taylor's Hall, Threadneedle Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Brazilian Sm Co
Dunedin Enterprise
Osborn & Little
Park Food Grp
Somic

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

BUSINESS TRAVEL

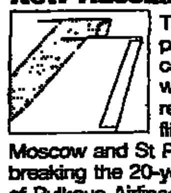
Downgrading 'ended'

Downgrading is all but over for business travellers, according to Carlson Wagonlit, the business travel agency, Scheherazade Daneshkhu writes. **In a survey of 300 business travellers, decision-makers and those who book travel, 80 per cent said that there had been no change in the class of travel available to them over the past year.**

Nevertheless, 31 per cent of decision-makers said that their company had tried to cut costs by downgrading the class of travel or hotel. Just over 20 per cent said that they made fewer business trips while 15 per cent said they made shorter ones. However, 23 per cent of business travellers expected an increase in the number of trips in the coming year, while 61 per cent thought the volume would remain unchanged. Almost three-quarters of business travellers doubted that new technology such as video-conferencing would reduce their travel.

Four in five business travellers prefer non-smoking flights, while half would be prepared to fly on an aircraft with seats facing to the rear.

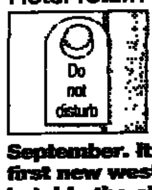
New Russian route



Transaero, a private Russian carrier, last week started regular daily flights between Moscow and St Petersburg, breaking the 20-year monopoly of Pulkovo Airlines.

Transaero, which initially is only offering one flight a day in each direction on Russia's most profitable domestic route, plans to use western-made Boeing B-737 jets. Pulkovo Airlines uses Russian-made Ilyushin Il-86 and Tupolev Tu-154 aircraft. It operates up to four flights a day in each direction. Transaero, which started with a single plane in 1990, now flies 19 regular routes.

Hotel return to Beirut



Marriott hotels is to open a 174-room hotel in Beirut in September. It will be the first new western-managed hotel in the city since the end of the civil war in 1990. Situated at a development which includes a shopping mall in the Jnah district, the hotel will also have a business centre.

● **Hilton International has opened its eighth hotel in Egypt. The Hurghada Hilton Resort on the Red Sea is a leisure development but is also aimed at the incentives market.**

Peace boosts Belfast

The peace process has boosted passenger numbers at Belfast International Airport, which handled 190,000 travellers last month – up 28 per cent on the same period last year. A total of 776,000 people have used it so far this year compared with 673,000 for the same time last year.

Competition between the airlines on the London-Belfast route has been an important factor in the airport's growth, said managing director Jim Doman.

Both British Airways and British Midland fly to Belfast from Heathrow airport, while Air Belfast flies from Stansted to Belfast and Emerald European from Luton to Belfast.

Aircraft strike-bound

Pilots at KLM Royal Dutch Airlines have called a second day of strike action for next Thursday in protest against pay and conditions, the Dutch VNV pilots union said on Friday.

The strike will affect most flights leaving Amsterdam's Schiphol airport on Thursday, and will be the second in as many weeks. Both sides say the crux of the dispute is productivity and a reduction in costs.

● **Alitalia pilots plan to hold a 24-hour strike on June 23 in protest at restructuring plans.**

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	25	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	33	32	33	32	[illegible]
London	17	[illegible]	17	[illegible]	[illegible]
Frankfurt	20	18	19	19	[illegible]
New York	30	[illegible]	[illegible]	[illegible]	[illegible]
L Angeles	22	22	23	25	[illegible]
Milan	21	21	24	[illegible]	[illegible]
Paris	17	19	20	19	19
Zurich	18	[illegible]	18	[illegible]	[illegible]

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Species flocks to favourable habitat

Workaholic travellers are increasingly choosing executive floors on hotels, says **Christine Buckley**

Business travellers who never stop working are increasingly common. On aircraft, they constantly tap at computers, pausing only to frown at passengers watching the film. Once at their destination, they are likely to group in favourable habitats where they need encounter no other form of life.

In hotels, the compulsive executive is usually to be found in executive enclaves – floors catering exclusively to executives and offering an office-from-office. These provide faxes, computer hook-ups, office and boardroom facilities. Some even have separate entrances and check-ins to shield business travellers from other guests.

There are now executive floors in most five-star hotels in business locations, particularly in the US. In Europe and the Middle East and Asia they are catching on fast.

The Marriott hotel in Dubai has a wing reserved for executive guests, with a separate entrance and check-in. Jan Heesbeen, head of marketing at Dubai's Marriott, says that while the rooms all have computer points, fax facilities and so on, the executive lounge is one of the main attractions: "It is a haven for networking. You get quite a lot of contacts being made."

In Nicosia, the Cyprus Hilton recently opened an executive wing with 84 rooms. Hong Kong is another sanctuary for the terminally hardworking. The Marriott there has four executive floors, offering three lounges and a private study facility, complete with individual workstations with computer and e-mail connections, phones, faxes, photocopiers – even a reference library.

At the Tokyo Hilton, five floors are devoted to executive use. Andrew McCulloch, head of research and development in corporate marketing at Hilton International, says that business travellers increasingly want to work around the clock. "We have specially trained staff in our executive floors who have office skills and are encouraged to develop a working relationship with the guests," he says.

Of Hilton International's 160 hotels, 70 now have business floors. In the US more than two-thirds of Marriott's hotels have executive rooms on one or more exclusive floors, and most of its international developments, such as those in San Juan, Puerto Rico and Budapest, feature executive floors.

The executive workhorse is here to stay, according to research by hotel chains. This year Sheraton launched its business traveller programme in Europe and Israel after a survey of executive guests revealed that their requirements for office and technical back-up were growing.

It found that more than half of business travellers carry a laptop, and nearly all require a 24-hour business centre. All Sheraton's hotels in Europe and Israel now have 24-hour business centres.

Hyatt Hotels found that 72 per cent of business customers feel more pressure to produce results on business trips than they did five years ago; 56 per cent of respondents said they spent more time working in their rooms than they did five years ago.

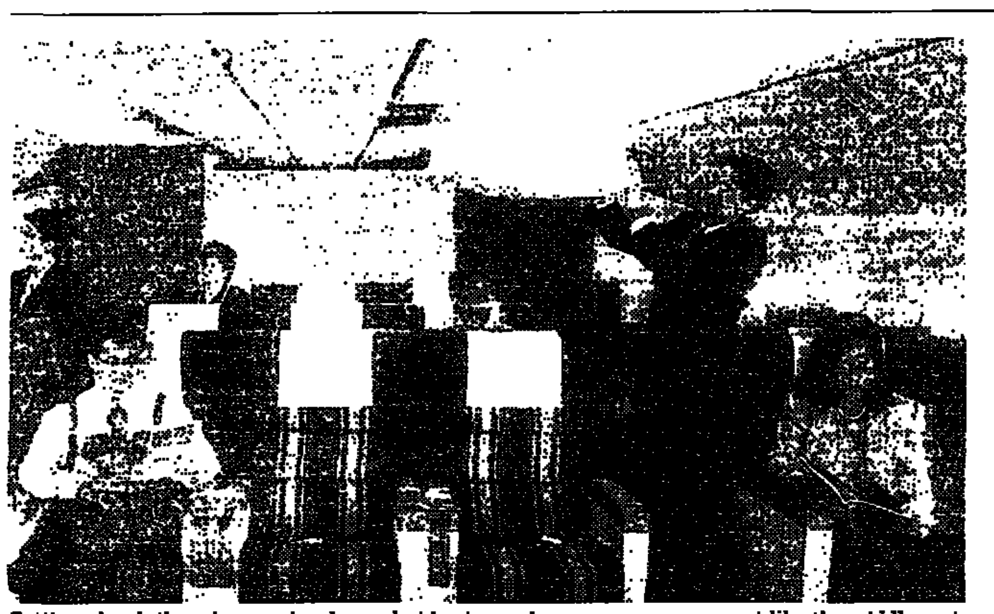
In contrast to the 1970s and 1980s, when self-indulgence was a significant feature of business travel, *Hyatt found that 31 per cent of* those surveyed said their productivity while abroad was the most important aspect of business travel. Only 13 per cent dared to say they felt the need for free time.

On the back of its findings, Hyatt introduced its business plan for 85 hotels in the US and Canada. Business guests find a workstation in their room complete with phone, fax, and computer link, and have 24-hour access to printers, photocopiers and office supplies.

But even non-stop workaholics cannot live by phone and fax alone. What of the creature comforts on executive floors? Hotels are generally keen to offer plenty of traditional extras, which often make such accommodation cost-effective from the corporate point of view.

The premium charge for executive class accommodation may run to about 20 per cent, although in *Hyatt's case it is only $15 a day. For* the extra outlay you usually get a "free" breakfast, snacks and drinks. Such items can easily add up to more than the executive class premium if paid for on top of a standard accommodation charge. On an executive floor, rooms are usually larger than standard ones.

With all this on offer, it is not surprising that more and more executive workhorses insist on being booked into these exclusive enclaves.



Getting ahead: there is more headroom but business class passengers may not like the middle seat

Journey in space for passengers

The first thing passengers will notice when they board the United Airlines Boeing 777 for its inaugural flight on Wednesday is the space.

In building the 777, which makes its first flight from London to Washington DC, Boeing has managed to give passengers the impression they are walking into a room rather than a metallic tube.

The key to the 777's sense of space is the overhead lockers, which swing down from the ceiling rather than protruding from the walls. The lockers allow 6ft 4in of headroom in most of the cabin – an improvement of 4in on a 747.

For those who have difficulty reaching the overhead lockers, a footrest has been built into the handle of the seat to enable them to climb up.

Life should be more comfortable for those waiting to board the aircraft. Each doorway is individually heated.

The seats in the cabin of the 777, Boeing's first new aircraft in 13 years, are wider than on its earlier models. United, which has 292 seats on the aircraft, says market research, "carried out at great risk", revealed that passengers' bottoms have become bigger.

United says its first class seats on the 777 are three inches wider than their equivalents on the Boeing 747 and 767. In economy, seats are 1½in wider than on the 747.

Research 'carried out at great risk' showed that passengers' bottoms are bigger

One disappointment for passengers might be how many seats there are in each row of the United aircraft. In business class, the seats are in a 2-3-2 configuration. This means that in the central seat bank, business class passengers have people sitting on either side.

In economy, the seats are in a 2-5-2 configuration, so that the central passenger has to squeeze past two passengers on his or her way to the toilet.

At least, however, having reached the toilets, passengers will find them better behaved. Boeing has acted to end the problem of noisy toilet seats. Instead of slamming down unexpectedly, and making frightening banging noises when the aircraft flies through turbulence, the seat on the 777 descends gently and quietly.

Those who find the configuration of the seats in the cabin a bit of a squash can console themselves by watching something. All passengers, including those in economy, have their own personal screens.

Eventually, all 777 passengers will also have their own telephones. They will be able to receive and send faxes from their laptop computers. Passengers will also be able to set up conference calls from the aircraft. The particularly lazy will be able to telephone a passenger in another seat.

Finally, if your reading lamp fails, it can be replaced by a flight attendant. On earlier Boeing models, this requires the attendance of a mechanic after the aircraft has landed.

Michael Skapinker

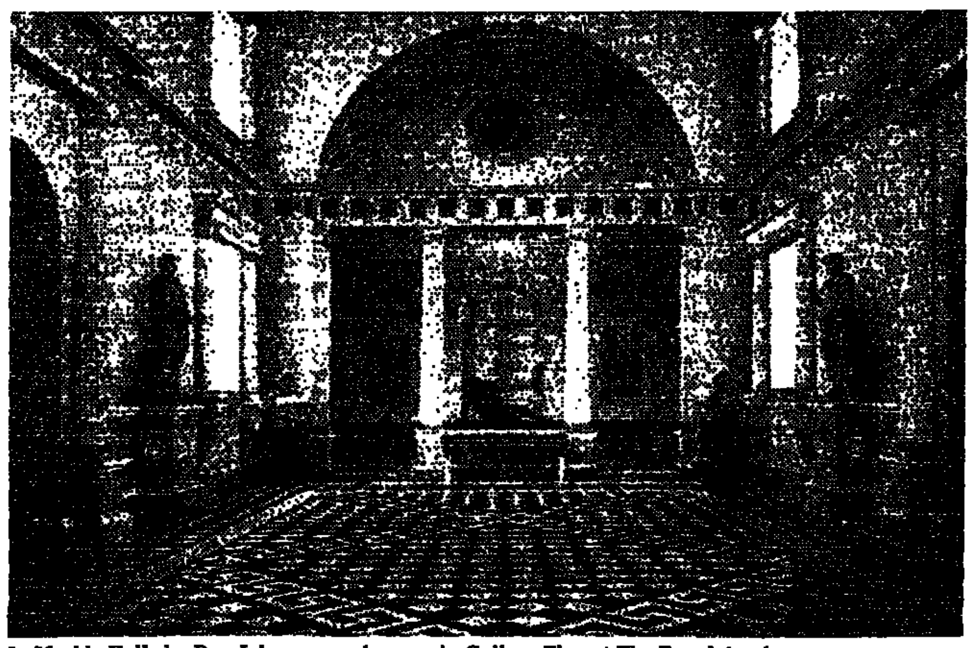
ARCHITECTURE

Public display of the good and bad in British design

Colin Amery assesses the Royal Academy's Summer Exhibition

This year's Royal Academy Summer Exhibition again gives the general public a rare view of the state of the art in architecture. It has its limitations, not least of which is its obligation to hang the work of the architect members of the Academy. This is fair to the members but unfair to the public because it gives a false view of the condition of architecture.

Gallery five, where architecture is concentrated, looks very much more spare and dignified. It is dominated by two paintings by the architectural artist, Ben Johnson. One of them, a view of The Rookery Building in Chicago, is remarkably decorative and more flamboyant than usual from this artist. It is hung very thoughtfully, because The Rookery Building was a pioneer in the use of decorative glass and next door to the painting is a model of Richard MacCormac's Southwark underground station with its wonderful wall of glass by the artist Alex Beleshenko. This great curved wall is like the eye of a giant insect – silkscreened with a delicate pattern it will be a glorious glittering backdrop for tube travellers. There is another model of the station in the exhibition and it shows what a wonderful thing the London Jubilee Line extension is going to be. It is an inspired act of patronage to have commissioned a group of younger architects to create the new world underground.



In Marble Halls by Ben Johnson can be seen in Gallery Five at The Royal Academy

The Summer Exhibition gives visitors a good opportunity to study at close quarters the proposals for London's South Bank by Sir Richard Rogers. These plans have just received substantial Lottery money to explore their feasibility. The idea of giant glass wave along the river initially might seem "exciting", but can it be right to put all that awful concrete junk (also known as the Hayward Gallery and the Queen Elizabeth Hall) under a glass dome.

As it stands it looks the most impractical and barmy scheme yet to have been funded by the Arts Council. If there is as much money floating around from the Lottery as we have been led to believe, then there is a great deal to be said for the clearing the site (leaving the Royal Festival Hall) and building a decent art gallery for temporary exhibitions, shops, houses, flats and hotels. This could restore a sense of the city to the place. Why does the South Bank not feel as agreeable as Covent Garden or St James's? If those who hold the bulging cultural purses thought of the answers to that question they might be on the right track to rescue the South Bank. Sir Richard Rogers's impossible to maintain glass roof should be seen for the mad folly it is.

The British Embassy in Moscow is another sad example of patronage – this time by the Foreign Office. It is a particularly dim design by Ahrends, Burton and Koralek – incredibly disappointing for a prestigious commission. How are the architects selected for these important jobs? They must be chosen by visually handicapped civil servants with no sense of style or quality. Does the British ambassador in Moscow really want to work in what looks like a primary school of the 1960s.

There is a lot of amusement to be had from the designs for the Cardiff Bay Opera House – surely the whole competition was a hoax? Here is Zaha Hadid's scheme for all to see – another example of official madness and the strange power of fashion that seems to make some people feel nervous if they do not follow it.

One member of the RA who did not care whether he was in fashion or not was the late Theo Crosby. He had a marvellous sense of humour and the Exhibition wall of his sketches and drawings shows that he was indeed the Hoffnung of architecture.

Wit is in incredibly short supply and you certainly do not look to Sir Norman Foster to supply it. But you do look to him to show a cool elegance and architectural dignity that is unmistakable and of superb quality. What a tragedy that he is not designing a new gallery for the Tate at Bankside. That would have produced one of the masterpieces of the late 20th century. It is always worth going to look at the Sackler Galleries at the Royal Academy which Sir Norman Foster inserted so brilliantly. His scheme for the British Museum, sadly not in the Royal Academy, will make that museum one of the wonders of the world.

The Academy inevitably demonstrates the rarity of work of the quality of Sir Norman Foster – and the weakness of the Georgian reproduction movement, although there is much less of that this year. What it does not show is the rising tide of good work from younger architects – that is influenced by conservation and a sense of continuity without being in any ridiculous way fundamentalist or historicist.

There are two works in the architecture room that show what has been wrong with British architecture for a long time. Of course they are both by a former President of the Royal Institute of British Architects, Michael Manser. His exhibit called "Crinkly tin" and his model of Hewley Park Surrey are both essays in acute insensitivity. Such dim and provincial work has no place in Royal Academy and I would have expected the rigorous architect President of the RA, Sir Philip Dowson, to have been much more discriminating.

ARTS

OPENINGS

VENICE
The world's most spectacular showcase for contemporary art, the Venice Art Biennale, opens on Sunday. The event, featuring contributions from 44 countries, marks its centenary with a radical break from its abstract traditions by opting for figurative art. The main show under this year's director, Jean Clair of the Picasso Museum in Paris, is "A brief history of the human body and face, 1895-1995": 600 works by 300 artists, divided between Palazzo Grassi and the Italian Pavilion in the Giardini di Castello (ends October 15).

BASLE
An exhibition of drawings from the rich collection in the Basle Kupferstichkabinett opens at the Kunstmuseum on Saturday. Ranging from Dürer and Holbein to the present day, the show also includes recent acquisitions of work by Braque, Giacometti, Léger and Beuys.

BONN
Bonn's music calendar for the next three weeks is dominated by Beethoven and Hans Werner Henze, whose chamber and orchestral works are paired in a festival devised by American conductor Dennis Russell Davies. The festival, which also includes a new production of "Fidelio", marks Davies' farewell to Bonn after eight years as music director.

PARIS
The New York Philharmonic begins a European tour on Wednesday with the first of two concerts at the Chatelet. Over the next fortnight, the orchestra and its music director, Kurt Masur (left), visit Cologne, Düsseldorf, Amsterdam, Birmingham, London, Vienna, Istanbul and Athens.

CAMBRIDGE
Guitar playing which is jazz-based, has elements of folk, and is also improvised would not normally attract a large crowd. But the music of the American Pat Metheny is immensely popular. He plays a first night at the Corn Exchange in Cambridge on Saturday before moving on to London for two nights on Sunday and Monday.

LONDON
Terry Johnson directs his own Marilyn Monroe play "Insignificance" at the Donmar Warehouse from Wednesday with Frances Barber (right) and Alun Armstrong.
The Royal Shakespeare Company brings three of its 1994 productions to open this week. Tuesday sees the first night of John Ford's tragedy "The Broken Heart" at the Pit, with Iain Glen; on Wednesday, Shakespeare's "Measure for Measure" (with Michael Feast far left) opens in the main Barbican Theatre; and on Thursday David Edgar's "Pentecost" opens at the Young Vic.

For the glory of Oscar

Jeremy Isaacs on the case for a statue of the playwright in London

We need more public art. London should be richer in statuary than it is. And it would be good if the statues we did choose to display stood for a wider range of human accomplishment than military valour and political statesmanship. At Queen's Gate, Kensington, there is a statue to Lord Robert Napier, victor of Magdala. Napier, like other soldiers, deserved well of his country. But who remembers Magdala now?

Ars longa, vita brevis. A hundred years from its premiere, *The Importance of Being Earnest* entertains still. There are plaques at two theatres and now, happily and movingly, a window pane newly inscribed to him in Poets' Corner of Westminster Abbey, but those apart, there is no prominent, public memorial to the writer Oscar Wilde in London. Some of us hold that there should be, and to the man too. Others have argued that Wilde consorted with male prostitutes and should not be honoured, or placed on a pedestal.

If going with prostitutes debarred a person, we should have fewer statues of heroes, losing the Duke of Wellington and John F. Kennedy for starters. But the prostitutes, though they brought him down, are none of our business, even if Wilde, in his folly, risked making them so.

What does matter is that, debased, degraded, spat upon by his fellow men at Clapham Junction railway station, Wilde turned humiliation and punishment into poetry and prose that speaks to us still. At Westminster Abbey, crowded by those who had come to honour him, Sir John Gielgud read from *De Profundis*. The poet Seamus Heaney, in a memorable address, likened the window pane behind him to Reading Gaol's "little tent of blue which prisoners call the sky". The Dean dedicated the memorial panel "to the greater glory of God, and in the memory of Oscar Wilde".

It was Derek Jarman, filmmaker, painter, writer and gardener, who suggested to me that there should be a statue to Oscar Wilde in London. Jarman was dying, and knew it, but he never stopped creative activity. I promised him I would do what I could to bring his idea to reality.

Word got about. Michael Foot wrote to ask if he could help. I recruited Kenneth Baker and Norman St John Fawsley; from the theatre Richard Eyre, Nicholas Hytner, Dame Judi Dench and Dame Maggie Smith – the Lady Bracknells of our day; another Smith, Anthony, president of Magdalen, Wilde's college; Merlin Holland, his grandson; Simon Sainsbury, who knows a thing or two about building in the public interest in London; Seamus Heaney, and others. And Sir Ian McKellen, who wears two hats – of the theatre, and a fearless spokesman for homosexual rights.

If Wilde were not one of our greatest playwrights, greater than Shaw, more popular than Congreve – though, I for one, can hardly wait to see and hear *The Way of the World* again – there would be no case whatever for a memorial to him. But he was, and there is such a case; had it not been for his notoriety, the memorial would be up by now.

Of the changes in social attitude in my lifetime I count most worthwhile, a growing acceptance of our varied sexuality and common humanity. I used to work in television, and in the early 1960s essayed, on ITV's regular, peak-time current affairs programme *This Week* – now lost to us – two half-hours of interviews with male and female homosexuals.

The skilled interviewer was Bryan Magee. Those we talked to dared not show their faces; they were filmed in silhouette. Much shock and horror was predicted. None resulted, though after a brief sequence showing men dancing together in a club in Amsterdam, one furious viewer telephoned to complain that we had wrongly described the city as the capital of the Netherlands, when the real capital was the Hague.

It must be good when, instead of cowering in a closet, men and women are out, proud of their natures, in the light of day. If a memorial to Oscar Wilde speaks to those in particular, that is good too.

Jarman wanted a statue not a portrait of Wilde, something that would express his spirit. He suggested one of Barry Flanagan's happy, jumping hares. But my colleagues and I are not agreed about the principle of that. Some feel strongly that it must be a recognisable figure of Wilde, others want a work of art in its own right as a gift to us and a memorial to him. In any case, there will be a plinth, and Wilde's words on it.

Westminster City Council, which wants to enhance its city-scape, is discussing with us possible sites in theatre-land. Leicester Square is one option; another great entertainer, Charlie Chaplin, is already, jauntily, *in situ*. Adelaide Street, off The Strand, is another.

We shall decide on site and sculptor later this year. It will cost a hefty sum of money to erect a statue, and to maintain it, but funds should be found readily enough. By 1997, well before the hundredth anniversary of his death, we intend to see a statue to Wilde up in London.

A portrait of Oscar Wilde by Henri Toulouse-Lautrec, 1895, from 'Oscar Wilde, A Life in Letters, Writings and Wit' by Juliet Gardner (Collins & Brown £14.99, 160 pages)

Theatre/Alastair Macaulay

Vanessa as Cleopatra

Like Germaine Greer, Vanessa Redgrave is more interesting when wrong than almost anyone else when right; and, when right, she is so audacious, so acute, and so large-spirited that she makes you re-think everything you thought you knew. But (with either Vanessa or Germaine) the more you follow her work the less "right" or *"wrong" matter, and the more odd* she appears. And if only she would appear in worthier conditions...

As Shakespeare's Cleopatra – a role which at the Riverside Studios, and at age 58, she essays for the third time; and while also directing for the first time – Vanessa is right and wrong and odd and thrilling and infuriating and utterly unlike anyone else. She often seems not to act at all, merely to lob shafts of lightning at regular intervals in the direction of the famous role. But it is real lightning, and her aim is often spot-on: so that you gasp at its impact and illumination – and put up with the fact that for the next few seconds or minutes she leaves you in the dark.

Thus, for example, when Charmian has been singing the praises of Cleopatra's former lover Caesar, Vanessa/Cleopatra listens impatiently, pauses long, and then says, "My salad days!" with so dry a mix*ture of maturity, embarrassment* and disdain (the turn of the head so expressive) that we laugh out loud, and forget how the famous line has ever been spoken before. Fabulous... whereupon she rattles through the next lines – including the big exit line "Or I'll unpeople Egypt" – with an astonishingly casual lack of emphasis.

Never mind "I am fire, and air"; but oh! how wonderfully a quick flash of jealous competitiveness as it occurs to her, when preparing to apply the asp to her bosom, that the *dead Iras might beat her to meeting* up with Antony in the afterlife.

This Cleopatra has "infinite variety", can "hop 40 paces", is a queen and a courtesan and "no more but e'en a woman" and "a lass unparallel'd": sure. But sometimes she is just stagey (a big Asiatic walk of atonement towards Antony on her knees, hair in the dust), and sometimes her artlessness has a great deal too much artfulness about it for comfort. She is a marvellous listener, but her occasional way of listening with mouth hanging open is a silly mannerism. She strips away any self-importance from the more regal lines ("The man hath seen some majesty and should know"), and takes any customary Romantic transcendence from the final act. Admirable. She is not a moving Cleopatra, but she is interesting.

She carries the play with an Ant*ony wholly unworthy of his role*, and with no co-actors as revealing as herself. Bizarrely, she has assembled a cast that includes American accents, French accents (several) and Scottish accents, not one of whose possessors is well cast and most of whom are often unintelligible. The American actor Paul Butler has decided that the key to Antony is his jovial relaxation. *Later on*, the joviality turns into remorse – it is no big difference – and that is the appallingly dull sum of his Tony-one-note Antony. Charmian (Helene *Patarot) speaks several lines in* French, is seldom lucid in either language; and does some nastily hark-at-me ham acting. David Harewood has plenty of bite as Enobarbus, and Howard Saddler is a most personable and reasonable Caesar.

Vanessa has set her production in Elizabethan costumes, with farthingales and ruffs, and begins it with Mardian reading a modern-prose account of the break-up of the Roman triumvirate. The decor includes various Roman ruins – and a 17th-century map of the known world, including America (labelled "Septentronalis"). Mardian keeps singing Caccini's ravishing 17th-century song "Amarilli". Vanessa takes a puff of Antony's cigar, and this pre-Christian queen even, when apologising, *crosses* herself. Everything is picturesque, and there are several striking mime/dance episodes. But the play's pulse – not its tempo but its heartbeat – deceler*ates drastically* whenever Vanessa is offstage.

At Riverside Studio One until June 17.

OBITUARY

Dilys Powell: doyenne of British film critics

A favourite phrase in obituaries is "the end of an era". The death of the film critic Dilys Powell seems more the end of several eras. For four decades and as many revolutions in movie taste and style – from 1939 to 1979 – Miss Powell wrote about cinema in the *Sunday Times*. In that period she became the doyenne of British film reviewing: less for any superficial wit than for the breadth of her enthusiasm and the unhurried, often prophetic wisdom of her opinions.

Long before it was fashionable, she hymned the virtues of genre cinema, from gangster thrillers to Westerns to musicals. She saw the absurd side of American and British commercial cinema, but also recognised its vulgar strength. In years when many critics thought European cinema alone deserved their genuflections, Powell spoke up for John Ford and Howard Hawks and Alfred Hitchcock.

In 1969 she was a rare voice defending Hitchcock's *Psycho*. And though she condemned another horror film of that year, Michael Powell's *Peeping Tom*, she had the courage to reverse her verdict in 1994.

At the same time, her reviews could damn with irony. Hailing *The Wizard of Oz* in her first year as a full time critic as "cleverly and sometimes brilliantly devised", she also observed: "The sets are stylized, though not enough." And her review of *Yankee Doodle Dandy* concluded: "The flag-waving, since it is American and not British, can be stomached, and the whole production has a bounce and flounce which, in a kind of sickened way, one cannot but admire."

One of her barbed demurrals ended up as the title of a book. Film-maker Ken Russell, she wrote, had a talent, "but it is an appalling talent". Not much later the last three words were gracing the cover of the first Russell biography.

Her wry humour has lasted better than the over-determined wit of her acclaimed rival, the *Observer's* C A *Lejeune*. Coming to film reviewing from a broader range of interests, Powell never seemed anxious to dazzle. Her other, perhaps greater passions were Greece and dogs, both subjects on which (unlike cinema) she wrote books.

Her honest indifference to *show* took endearing forms. She came to press screenings, though otherwise immaculate, wearing the same distressed pair of sneakers for year after year. My own most enduring memory of her was seeing her at a sumptuous Iranian Embassy buffet reception, at which she calmly went from dish to dish, spooning contents into her doggy bag.

On movie-viewing days she was always there in the front row showing the same quiet delight whether the film was by Ingmar Bergman or John Carpenter. That she called her collected film reviews *The Golden Screen* denotes a true film buff: one *for whom what comes off the screen* is less important than the sheer, rich miracle of having that screen in the first place.

Nigel Andrews

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with the Netherlands Radio Choir. Mariss Jansons conducts Schoenberg and Shostakovich; 8.15pm; Jun 9
GALLERIES
Nieuwe Kerk Tel: (020) 676 6096
● World Press Photo Exhibition: exhibition of 200 photographs chosen from approximately 30,000; to Jun 5
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 4 (1.30pm), 7
Royal Theatre Carré Tel: (020) 320 2500
● Esmée: by Loevendie. World premiere based on a true story during the German occupation. Friedemann Layer conducts the Netherlands Radio Philharmonic and soloists Jeanne Piland and Marie Angel; 8.15pm; Jun 2, 4, 6, 8

■ BERLIN

CONCERTS
Konzerthaus Tel: (020) 309 21 02/ 21 03
● Berlin Symphony Orchestra: with trumpet player Reinhold Friedrich. Michael Schonwandt conducts Copland, Zimmerman and Haydn; 8pm; Jun 4
● Moscow Chamber Orchestra: with violincellist Boris Pergamenschikow. Constantine Orbelian conducts Mozart and Tchaikovsky; 8pm; Jun 7
● Orchestra of the Deutsche Oper Berlin: with pianist Bruno Leonardo Gelber. Jiri Belohlavek conducts Shostakovich's "Symphony No.1" and Brahms' "Concert for Piano and Orchestra No.2"; 8pm; Jun 8
● Radio Symphony Orchestra Berlin: with violinist Kolja Blacher. Mosche Atzmon conducts Stravinsky and Tchaikovsky; 8pm; Jun 2
● The English Concert Orchestra: *Trevor Pinnock conducts Purcell* in a concert that commemorates the 300th anniversary of the composer's death; 8pm; Jun 5

■ FRANKFURT

OPERA/BALLET
Frankfurt Oper Tel: (069) 80 65 20 52
● Pina Bausch: choreographs "Cafe Müller" and "La Sacre du Printemps" to the music of Purcell and Stravinsky; 8pm; Jun 4, 5
Oper Frankfurt Tel: (069) 23 60 61
● Lady Macbeth of Mtsensk: by Shostakovich. Conducted by Guido Johannes Rumstadt and produced by Werner Schroeter. Soloists include Valeri Alexejev, Ryszard Karczykowski and Christine *Ciesinski; 7.30pm; Jun 5*

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Grand Classical Gala: David Coleman conducts the National Symphony Orchestra and tenor Anthony Mee to play a selection of classical favourites; 7.30pm; Jun 4
● Sonny Rollins: jazz tenor saxophonist and one of the last survivors from a generation that included Miles Davis and John Coltrane; 7.30pm; Jun 3
Royal Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with soprano Alison Hagley, mezzo-soprano Catherine Robbin and tenor John Mark Ainsley. John Eliot Gardiner conducts Elgar's "Enigma Variations" and Britten's "Spring Symphony"; 7.30pm; Jun 4
● Philharmonia Orchestra: with violinist Maxim Vengerov. John Eliot Gardiner conducts Elgar, Bruch and Mendelssohn; 7.30pm; Jun 8
● Royal Philharmonic Orchestra: with mezzo-soprano Olga Borodina, baritone Sergei Alexashkin and the Brighton Festival Chorus. Valery Gergiev conducts Berlioz's "Romeo and Juliet"; 7.30pm; Jun 3
● Vienna Philharmonic Orchestra: Seiji Ozawa conducts Berlioz, Mozart and Prokofiev; 7.30pm; Jun 2
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● Billy Budd: by Britten. A new production conducted by Robert Spano and directed by Francesca Zambello. Soloists include Graham Clark, Francis Egerton, John *Duykers and Rodney Gilfry/Peter* Coleman-Wright; 7.30pm; Jun 5, 9
● La Bohéme: by Puccini. Conducted by Jan Latham-Koenig and directed by John Copley. Soloists include Cynthia Haymon, Nancy Gustafson and Roberta Algana/Tito Beltran; 7.30pm; Jun 2, 3, 8

■ LOS ANGELES

GALLERIES
County Museum Tel: (213) 857 6000
● Kandinsky: Compositions: six of the seven surviving "Composition" paintings are presented along with 25 preliminary studies which trace the artist's evolution from figurative to abstract painting; from Jun 4 to Sep 3

■ MUNICH

GALLERIES
Haus der Kunst
● The Splendour of The Farnese: exhibition that brings together art collected by the Farnese dynasty in the Italian Renaissance with statues, medals, coins and more than 130 paintings by the likes of Parmigianino, Breughel, Sebastian del Piombo and Titian; from Jun 2 to Aug 27

■ NEW YORK

OPERA/BALLET
New York State Theater Tel: (212) 870 5570
● West Side Story Suite: New York City Ballet premiere. Conceived and choreographed by Jerome Robbins and featuring the music of Leonard Bernstein with lyrics by Stephen *Sondheim; 8pm; Jun 2, 4 (7pm)*
THEATRE
Belasco Tel: (212) 239 6200
● Hamlet: by Shakespeare. Starring Ralph Fiennes in a limited run; 8pm; to Jul 22 (not Mon)
Ethel Barymore Tel: (212) 239 6200
● Indiscretions: based on Jean Cocteau's "Les Parents Terribles" in a new translation by Jeremy Sams and starring Kathleen Turner, Eileen Atkins and Roger Rees; 8pm; (not Mon)

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● New York Philharmonic: Kurt Masur conducts Strauss' "Métamorphosis" and Beethoven's "Symphony No.3"; 8pm; Jun 7
● New York Philharmonic: Kurt Masur conducts Shostakovich and Beethoven; 8pm; Jun 9
GALLERIES
American Center Tel: (1) 44 73 77 77
● Micromegas: works by European and American artists reflecting on scale and size; to Jun 4
OPERA/BALLET
Champs Elysées Tel: (1) 49 52 50 50
● Ezio: by Handel. Conducted by Robert King, directed by Stephen Medcalf and with the King's Consort. Soloists include James Bowman, Susan Gritton and Dominique Visse; 7.30pm; Jun 6, 7, 9
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Les Capulet et les Montaigu: by Bellini. Conducted by Bruno Campanella and produced by *Robert Carsen. Soloists include* Jeffrey Wells, Cecilia Gasdia and Jennifer Lamore; 7.30pm; Jun 3, 5, 9

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist André Watts and soprano Bridgett Hooks. James Conlon conducts Poulenc and Brahms; 8.30pm; Jun 2, 3
GALLERIES
National Gallery Tel: (202) 737 4215
● James McNeill Whistler: retrospective of the expatriate American artist with more than 200 works; to Jul 20
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● A Month in the Country: written by Brian Friel after Ivan Turgenev. Kyle Donnelly conducts a romantic comedy; 7.30pm; to Jun 4
Folger Theater Tel: (202) 544 7077
● The Merchant of Venice: by Shakespeare. Commemorating the 400th anniversary of the play, this production is directed by Joe Banno; from Jun 2 to Jun 25
Kennedy Center Tel: (202) 467 4600
● Angels in America: Part One, The Millennium Approaches. Tony Kushner's Pulitzer prize and Tony award-winning play about sex, politics and religion; 7.30pm; to Jun 8

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ *(463m)*

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

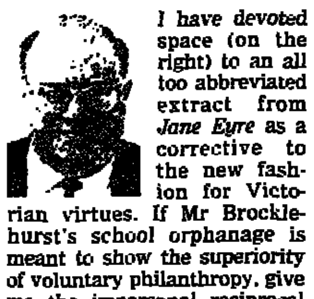
10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Samuel Brittan

Beware of the new Victorians



I have devoted space (on the right) to an all too abbreviated extract from *Jane Eyre* as a corrective to the new fashion for Victorian virtues. If Mr Brocklehurst's school orphanage is meant to show the superiority of voluntary philanthropy, give me the impersonal reciprocal obligations of the welfare state.

Victorian values have been in the news since Lady Thatcher's endorsement of them. But their most systematic recent defence has been by Gertrude Himmelfarb in her *The Demoralisation of Society**. The reason why rightwing radicals are interested is clear. They want to show that the heyday of free markets was not one of unrelieved profit seeking, still less of personal gratification. The Victorian ethos took duties as seriously as rights and emphasised an obligation to help the unfortunate, as well as the personal *virtues of sobriety, thrift*, work, family obligation and much else.

Himmelfarb's book is a good one, so long as we realise that it is the work of a defence counsel. Much was admirable about the Victorian age: above all the vibrant energy that can be seen today by a traveller crossing the bridges, viaducts and tunnels of Brunel's Great Western or gazing at the town halls of northern England. Moreover there was the passion for improvement, whether of cities or sanitation, and for self-education. There was the spirit of optimism – later transferred to the US – that big problems could be tackled.

There is so much both to admire and to deplore in the activities and attitudes of all ages that it is slightly absurd to be for or against them *in toto*. But if forced to a verdict, I still stick to what I wrote in *Capitalism and the Permissive Society*: "Personal liberty was effectively limited to male heads of household over 21. Women and children had as few rights as the subjects of the eastern despots condemned by contemporary Liberals.

> *Mr Brocklehurst nodded...*
> *"I find that a lunch, consisting of bread and cheese, has twice been served out to the girls during the past fortnight. How is this? I look over the regulations and I find no such meal as lunch mentioned. Who introduced this innovation?..."*
> *"I must be responsible for the circumstances there," replied Miss Temple: "the breakfast was so ill-prepared that the pupils could not possibly eat it; and I dare not allow them to remain fasting till dinner time."*
> *"Madam, allow me an instant. You are aware that my plan in bringing up these girls is, not to accustom them to habits of luxury and indulgence, but to render them hardy, patient, self-denying. Should any little accidental disappointment of the appetite occur... the incident ought not to be neutralised by replacing with something more delicate the comfort lost, thus pampering the body and obviating the aim of this institution... A brief address on those occasions would not be mistimed, wherein a judicious instructor would take the opportunity to refer to the sufferings of the martyrs... When you put bread and cheese instead of burnt porridge, into these children's mouths, you may indeed feed their vile bodies, but, you little think how you starve their immortal souls."*
>
> Charlotte Brontë, *Jane Eyre*

"If freedom is defined as the absence of coercion, there was precious little for the schoolboy or soldier of the period, both of whom were also victims of the passion for flagellation which was (and to some *extent still is) the real English* sickness...

"The prohibitions in the law and custom of the land were numerous... One can only recoil with horror at the weight of the legal and social penalties – and above all the burden of guilt – imposed on those whose impulses were not in keeping with the official sexual mores. Among those with normal tastes promiscuity abounded and was tolerated, provided the pretences were maintained."

It is not a justification of any society – although it is a mitigation – that it produced reformers who prepared the way for later change (even that was not in one direction: the laws under which Oscar Wilde was sent to prison were enacted only 10 years before).

Himmelfarb's book attracted *wide attention because of the* epilogue on a "de-moralised society". This connects crime, illegitimacy and the rise of the dependency culture to the decline of characteristic Victorian virtues. The author does not advocate an impossible return to a vanished age (or to its hideous caricature reincarnation in places like Singapore): but she favours some not-too-well defined "remoralisation" of society. Here she is quite close to the "communitarians" of the left.

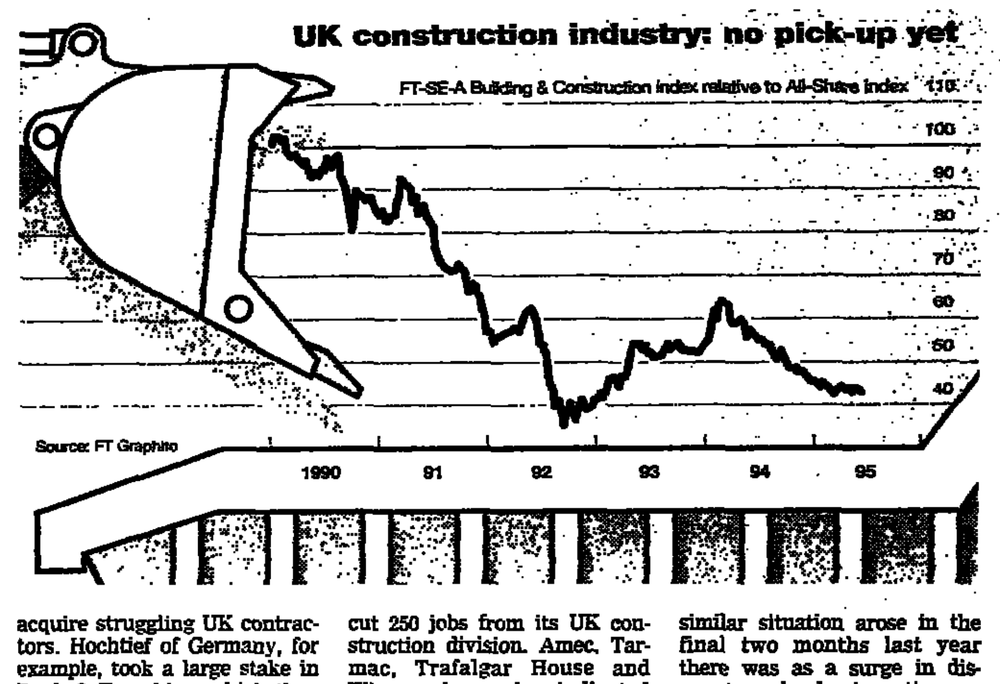
Her most intriguing point is the switch, which she much dislikes but never quite explains, from Victorian talk of "virtues" to modern talk of "values". This is not just moral laxity. Part of it arises from the extreme difficulty that the late Victorian philosophers, picking up where David Hume left off, found in establishing objective standards of morality. Bertrand Russell worried about this to his dying day. One result was the emergence of the fact-value distinction which social scientists have stressed to stop their subjects becoming just propaganda.

The danger of simply calling for a moral revival has obviously occurred to Himmelfarb. Her own epilogue is followed by an afterthought in which she distances herself from the "curious combination of puritanism and promiscuity" which makes up the American vogue for political and moral correctness, and which has given rise to concepts such as "date rape" and "phallocentric thinking". A new Victorianism, if given its head, is likely to take such forms or even worse.

**Institute of Economic Affairs, £12.50*

Shaky edifice of uncertainty

Competition is fierce as too many companies chase construction jobs, says **Andrew Taylor**



Like farmers and taxi drivers, the UK construction industry seems as though it is never satisfied. Output is up, and close to the peak years of 1988-91. Yet the sector's recent results season has been nota*ble mainly for the gloom of the* contractors which have reported some of their worst-ever results.

The contracting and engineering divisions of nine of the UK's largest construction groups earned operating profits last year of just over £100m ($157m) from a combined turnover of more than £9bn.

The results mask an even bleaker domestic perfomance as profits included earnings from overseas work and were bolstered by at least £30m of interest on advance payments from customers – causing more complaints from sub-contractors over delays in passing on the money.

But the meagre yield has not been caused by a shortage of work. The value of construction output last year rose 6.5 per cent to £49.37bn, the first annual increase since 1990 and the fourth highest figure on record. Even after allowing for inflation, the volume of construction work rose 3.2 per cent. Adjusted for inflation, *last year's figure was 5.6 per* cent higher than in 1987, generally regarded as a good year.

The problem is that there are still too many companies chasing jobs. Weaker businesses which might have been expected not to have survived the recession have pulled through, providing competition for larger rivals. Companies have been forced to bid down prices to win work. Mr Martin Laing, chairman of John Laing, has criticised banks for propping up "enfeebled contractors".

Mr Joe Dwyer, chief executive of Wimpey, says there is a strong need for consolidation to improve the industry's profitability. But there is little sign of an increase in mergers or joint ventures. Few have the wherewithal or the will to acquire struggling rivals.

Costain, the weakest of the large contractors, has been seeking a partner for its construction and engineering businesses this year. But in spite of initial interest from Bovis, the *construction management arm* of the P&O shipping group; and Skanska, the Swedish construction group, no serious taker has emerged.

Previous bad experiences of taking stakes in UK construction companies may explain why continental European contractors have been slow to acquire struggling UK contractors. Hochtief of Germany, for example, took a large stake in Rush & Tompkins, which then went into receivership.

The lack of interest by large UK contractors in acquiring rivals is best expressed by Sir Alan Cockshaw, chairman of Amec: "Companies which can afford it will be reluctant to purchase UK skills they already possess simply to reduce capacity and benefit competitors as much as themselves." His views are shared by one merchant banker, who adds: "Mergers and takeovers work best when two plus two makes at least five. In the case of most UK construction companies, two plus two would be fortunate to equal three."

Without further rationalisation, competition for UK construction work is likely to remain intense. Growth in domestic output in construction is expected to slow this *year to about 1 per cent, with* private-sector spending on offices, shops and factories struggling to offset falls in public-sector spending on housing *and infrastructure.*

Main contractors have warned that further job losses are inevitable. In April, Taylor Woodrow announced plans to cut 250 jobs from its UK construction division. Amec, Tarmac, Trafalgar House and Wimpey have also indicated that further job cuts are likely.

The UK housing market, which last year provided a cushion for contractors with house-building operations, has stuttered since last summer.

> **'Cash is flowing out of many businesses and margins are under pressure'**

Sales of new houses have performed better than the general market, but are still falling. In the first four months of this year, *27 of the largest house*builders recorded a 3 per cent fall in net reservations – agreed sales on which a deposit has been paid less can*cellations – compared with the* corresponding period last year.

There is strong pressure to increase sales this year, since builders have started about 10 *per cent more development* sites than last year in anticipation of a market pick-up. This could put pressure on prices if sales remain weak: when a similar situation arose in the final two months last year there was as a surge in discounts and sales incentives as builders sought to hit targets.

Yet while new house prices are struggling to get off the ground, builders must cope with rising prices for raw materials. The suppliers have been more successful in reducing capacity than builders, and have been putting up their prices. While volume sales have still some way to catch up with the peak of the late 1980s, cement and plasterboard profit margins are not far behind previous record levels.

UK cement profits at Blue Circle, Britain's largest supplier, rose 78 per cent last year to £64.1m, helped by a 15 per cent increase in volume sales. *Operating margins rose from* 13 per cent to 20.2 per cent.

These returns are in stark contrast to the dreadful results from builders and civil engi*neers. "Cash is flowing out of* many businesses and margins are under pressure all around," says Mr Mark Stockdale, an analyst at S.G. Warburg.

*Many are now looking over*seas. In markets such as south-east Asia, the returns are typically much higher than in the UK. But competition from companies in other advanced countries for such work is intense. Local construction industries are also *emerging in* many of these countries which are capable of competing domestically and internationally.

The other hope for many is the UK government's private finance initiative, which offers the possibility of involvement in infrastructure projects such as roads and railways, and capital spending on public services such as prisons and hospitals. While contracting margins are low on such projects, the returns can be increased by taking an invest*ment stake in them.*

The government's initiative seems unlikely to provide immediate relief for contractors, however. "Many schemes will be unable to start until next year at the earliest and it could be several years after that before profits can be taken," says Mr Stockdale.

They may also do little to improve margins in the industry. Contractors are concerned that civil servants, accustomed to awarding public-sector contracts on margins of 1 per cent or 2 per cent, have failed to accept that higher returns will be required to justify the *increased investment risk.*

The scale of preliminary bids to finance, build and operate two prisons at Bridgend, south Wales and Fazakerley, Merseyside, was such that the officials involved in the process were forced to remove some of the more onerous contract conditions to attract lower prices. Similar problems are likely to arise on bids submitted for the first four design, build, finance, operate trunk roads as well as for the proposed rail link to the Channel tunnel.

Coping with such uncertainty means that contractors face much higher costs in preparing bids for private finance projects than for traditional public-sector contracts. Meanwhile, infrastructure construction – which remains largely funded by the public sector – is likely to fall 8.5 per cent this year, *according to Construc*tion, Forecasting and Research, which previously provided construction forecasts for the National Economic *Development Office.*

The value of construction company shares has declined more than 50 per cent against the FT-SE All-Share Index in *the past five years and by a* quarter in the past 12 months. On present trends, this fall is unlikely to be reversed in the coming year.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Legal complexity of space operations not yet fully tested

From Mr John B. Gantt.

Sir, I read with interest the "Patenting orbits" (May 31) editorial. Aside from the complex issues of patentability, there are important international law issues to be considered. Most of the nations of the world are parties to the Outer Space Treaty of 1967. The treaty states that outer space shall be "free for exploration *and use by all States without* discrimination" and "is not subject to national appropriation by claim of sovereignty, by means of use or occupation, *or by any other means*".

The granting of a US patent is a sovereign act of the federal government with its basis in article I, section 8 of the constitution. Certainly, to the extent the claims in any US patent with regard, for example, to a satellite communications system, seek protection for the use of bands of orbits in space, such as the medium earth orbits proposed for use by certain mobile satellite communications service operators, serious questions arise with *respect to the international* treaty obligations of the US. The supreme court has held that rights granted under a US patent cannot interfere with the foreign commerce and treaty-making powers of the federal government. Thus, there can be no argument under US municipal law of a conflict between the 1967 treaty obliga*tions and the rights* obtained in a US patent.

By applying its patent law to confer on a patent owner monopoly rights in the patented invention, a state can be argued to "appropriate" through execution and enforcement of such laws, the three-dimensional volume in which the invention is practiced in outer space, subject to any municipally imposed limits as to the extra-territorial application of its patent laws. However, when the claims of the patent cover operations on a satellite combined with facilities, such as ground control facilities, located in the terri*tory of the granting state*, issues of extra-territoriality become moot, as regards the application of such patent laws. Of course, this does not excuse the granting state from acting in other than a manner consistent *with its interna*tional obligations under the 1967 Outer Space Treaty.

The US has taken steps in this direction, for example, the Patents in Space Act of 1990 which, as a general rule, exempts from jurisdiction under US patent law space *objects, eg satellites*, carried on the national registry of space objects of a foreign state or international organisation in accordance with international law. However, the breadth and scope of the act in cases such as the combined means scenario mentioned above, have yet to be judicially interpreted.

John B Gantt,
Ober, Kaler, Grimes & Shriver,
1401 H Street NW,
Washington DC 20005-2110, US

Intelligence that makes for the best leaders

From Mr John R. Stanek.

Sir, Kudos to your Lucy Kellaway and her timely, discerning "Turning the tables" (May 31) piece on "360° feedback" and its newest mutation, 540° feedback.

Managers do, indeed, need to know how they and their decisions are perceived – all leaders must have this intelligence about themselves. They do not need to be humiliated in the presence of those they lead and their work compromised in the process. The compound folly is to compensate managers on what a closeted micro group of confederates might conjure about them – for whatever reasons.

Alas, *360° degree feedback* often induces a double blackmail syndrome along the lines of - Employees: "Take special care of us, manager, or we'll turn you into a memory," or the reverse, Manager: "Listen, people, make me look good in this 360° thing or woe to thee." Both tacks are common in this fad and dramatically distort findings.

Excellent, norm-based, culturally adjusted forms of upward consulting through anonymous employee opinion surveys have existed for decades. They provide the desired end of knowing without the collateral risk of damage to *all* parties. First-class input on the most sensitive leadership or other matters is gleaned from this technique without destabilising the delicate equilibrium that exists between any leader and the cadre he or she leads. One cannot suspend organisation realities to counsel managers on their behaviour and its effects. Leadership on its best days can anguish the souls of those who accept that calling. Many able managers have long memories *for those who make summary* or ill-informed judgments on their conduct. In the end, the greatest risk of 360° feedback is to employees.

Let us hope Lucy Kellaway's thoughtful, insightful analysis *is heeded where decisions* on these matters are made.

John R. Stanek,
International Survey Research,
303 East Ohio Street,
Chicago,
Illinois 60611, US

Latin answer to re-naming Ecu

From Mr John Rosselli.

Sir, Surely there is one European currency on which everyone could agree: the old Latin *libra pondo* ("a pound by weight", which was originally of silver) which in medieval Europe and down to the 18th century turned into a widely varying array of local currencies termed *libra, livre, lira, pfund*, or *pound*. These were generally denoted by the sign £.

A European unit could be universally shown as the £E (the E to be dropped after a few years) while users in each country could go on calling it a *libra, livre, lira, pfund, pound*, or indeed *punt*.

John Rosselli,
98 Sturton Street,
Cambridge CB1 2QA, UK

UK has only itself to blame for sterling's ERM exit

From Mr Walter Grey.

Sir, Nearly three years after the event, there is still talk *about sterling's "forced" exit* from the European exchange rate mechanism (The FT Interview: "Chancellor at a crossroads", May 26).

In fact, the "humiliation" was self-inflicted and could easily have been avoided. Leaving aside the strategic error that the UK did not join the ERM from the outset (in March 1979), and then joined it too late (in late 1990) to avoid chancellor Nigel Lawson boom's inflationary excesses *and the severe recession that* followed (and was already under way), we also did so at too high a rate, because of the high interest rates needed to curb those excesses, as some (including the Bundesbank privately) pointed out at the time.

Subsequently, we compounded that grave tactical mistake, moreover, by persistently refusing, right up to the very eve of Black Wednesday itself, to agree to a general ERM realignment, repeatedly proposed in the wake of the exceptional stresses of German reunification, under which sterling's (and other currencies') overvaluation against the D-Mark could have been corrected quite painlessly.

For all that ensued, then, we have only ourselves – not ERM "fault-lines" – to blame. By the same token, however, we also have the trauma of Black Wednesday to thank, not for the recovery (which, too, had already started), but for our new monetary regime's new pre-emptive anti-inflationary strategy (launched on what may come to be remembered as Magnificent Monday), which has underpinned and, so far, sustained that recovery.

It's an ill wind...

Walter Grey,
12 Arden Road,
Finchley,
London N3 3AN, UK

صحف من الارشيف

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday June 5 1995

Hands across the ocean

The proposal by US secretary of state Warren Christopher for wide-ranging talks on US relations with the EU is a clear acknowledgement that the transatlantic partnership needs attention. Similar sentiments have been voiced by political leaders in Europe, and there are good reasons for action. But first, greater clarity is needed about what can be achieved.

The current debate stems not from any immediate crisis. Rather, it reflects the realisation that the end of the cold war has weakened the cement which held it together for half a century. The underlying concern is that without firmer foundations for their dialogue, the two sides might drift apart.

Evidence for such fears is not hard to find – whether in the travails of Nato or the deep divisions over Bosnia. While the EU wrestles with the challenges of further integration and radical changes on its eastern borders, the US is heavily preoccupied with a domestic agenda and seems increasingly hesitant about its commitment to multilateral trade rules.

It is easier, however, to describe the symptoms than to prescribe a remedy. Mr Christopher was rightly cautious about endorsing calls for a Transatlantic Free Trade Area (Tafta). Such a proposal risks creating more problems than it solves. Not only are there relatively few important barriers to transatlantic trade. Those that remain, notably in agriculture and textiles, proved impervious to seven years of negotiations in the Uruguay Round. Bilateral efforts to remove them are no more likely to succeed and could merely stir up ill feeling.

Issues such as the treatment of foreign direct investment, services, standards and product testing may offer more scope for constructive dialogue. However, it would be more fruitful to pursue many of these goals in the World Trade Organisation, where they are set to feature high on the future policy agenda. For the US and the EU to try to advance too far on their own could divert their attention from multilateral liberalisation priorities.

In truth, the perceived difficulties in the US-EU relationship are only one manifestation of a wider confusion in the two sides' foreign policies as they struggle to redefine priorities – and, harder still, to mobilise a domestic consensus behind them. In the US, coherent policy-making has been made harder by tensions between the Democratic administration and Republican-controlled Congress, many of whose members appear to favour a limited US international role. In Europe, there is uncertainty about how far the EU can or should aim to develop a common foreign and security policy.

Ultimately, the US and the EU must resolve these problems for themselves. However, a broader and more intense dialogue between them could illuminate more clearly the complex challenges each must address. That, rather than grand transatlantic political or economic initiatives, should be their immediate aim.

No housing fix

Government policies played a large part in causing the UK housing market's current travails. Mr John Major, the prime minister, has been closely associated with all of those policies. His apparent desire, last week, to deflect responsibility in comments made to northern businessmen was thus ill-judged. However, critics of Mr Major should be careful to distinguish between those aspects of the government's record which the prime minister should strive to reverse, and those that should rather be left unchanged.

Those who bought into the housing boom of the late 1980s – over 1m of whom still suffer negative equity – can blame the government for the ill-chosen macroeconomic policies which helped produce the unsustainable boom, and the recession that followed.

Miserable home-owners can also hold the government responsible for the fiscal and legal reforms which under then prime minister Margaret Thatcher tended to encourage people to take on too much debt, and those, during Mr Major's rule, that increased the price paid for having done so.

The latest evidence suggests that Mr Major will be paying a political price for both aspects of the government's record for some time to come. The Halifax building society, the UK's biggest mortgage leader, reported that house prices fell by 0.9 per cent in May compared with the previous month. The British Bankers Association also published figures last week showing that its members' lending in April was 10 per cent lower than a year earlier.

Mr Major claims to place a high priority on ensuring the macroeconomic failures of the 1980s are not repeated. An end to "boom-bust" cycles for the whole economy will do more, in the long run, to revive the housing market than any narrowly targeted scheme.

Tory MPs are pressing the chancellor to include such measures in the next budget. Yet rushing to compensate the losers in the housing market with a plethora of specially tailored tax cuts would endanger the over-riding goal of stable inflation and sound public finances. Moreover, by showing that the government remains willing to sacrifice long-term economic health for short-term political gain, such signs of panic might harm rather than help the government's chances of re-election.

The fact that so many people are trapped in their homes exacts a cost for economic efficiency. Eventually, however, the dormant state of the housing market ought to inspire the same long-termism in would-be home buyers that is considered desirable in business. UK companies' short-termism is said to display itself in the fast, high returns which companies require before they will invest. In an era of low inflation companies would learn to ask for less.

With time, the same could be true of housing. The tragedy of the late 1980s housing market was that it encouraged short-term gambling on a commodity that is nothing if not long-term: a home.

Poland's progress

Poland's receipt of its first investment grade credit rating – from Moody's, the international ratings agency – marks a deserved recognition of the progress the country has made in stabilising and reforming its economy over the last five and a half years. It will encourage foreign investors, who are still wary following the 13 years when Poland was in default on its communist-era debt.

Poland has travelled a long way since it became the first former Warsaw pact state to embark on fast-track economic reforms, sometimes known as shock therapy. A combination of textbook economic stabilisation, western debt relief and export-led growth has brought it to a prospective debut in the eurobond market.

Last year labour productivity in industry rose 17 per cent, gross domestic product climbed 5 per cent and exports jumped 22 per cent. Just as encouraging, the commitment to market reform is strong enough to have survived the coming to power of a new generation of politicians with their roots in the communist past.

The prospect of cheaper access to international capital markets does not, however, signal that the reform effort is about to get any easier. Inflation is stuck above 30 per cent, and squeezing it into single figures, as the government has promised, will be at least as painful as the battle so far.

Not have political threats to continuing progress disappeared. On the contrary, there is a danger that candidates for presidential elections this autumn will compete on the basis of promises that, if fulfilled, would make it all but impossible to lower the budget deficit. In particular, there is concern about the ability of Poland's political class to deliver the cuts in spending on pensions and social security that will be required to make the social security system self-financing.

Although such reforms would benefit all Poles in the long run, they do not have great manifesto appeal in a country where 9m pensioners represent the largest single interest group.

The incumbent president, Lech Walesa, has already taken a populist line by declaring himself against higher taxes but in favour of higher pensions and the wage demands of striking workers. One of his main rivals, Jacek Kuron, became the most popular politician in Poland by raising pensions when he was labour minister. The other, Alexander Kwasniewski, can rely on what remains of the old communist party structure to get voters to the polls but also cannot afford to lose the votes of the older generation.

Poland's progress has not so far been greatly impeded by the posturings of politicians. But despite the qualified vote of confidence it has just received from Moody's, its ability to attract foreign capital in the volume it needs will still depend on the outcome of the election and the hostages to fortune offered during the campaign.

Louise Kehoe examines Lou Gerstner's strategy for returning IBM to profitability

Big Blue drives back to the black

When Mr Lou Gerstner took over as chairman of International Business Machines two years ago, the world's largest computer manufacturer was drowning in multibillion dollar losses. Six weeks ago, he was able to report that the company had achieved its highest first-quarter revenues and net income.

The remarkable turnround is encouraging some observers to predict that Big Blue is poised to make a rapid return to the "glory days" of the early 1980s, when it was undisputed leader of the global information technology industry. Mr Gerstner, a newcomer to the industry, is being hailed as a miracle-worker.

The company's return to profitability – net first quarter income totalled \$1.3bn (£833m) on revenues of \$15.7bn, up from \$336m on sales of \$13.4bn a year ago – is in large part the result of drastic cost cutting. Since the end of 1992, annual expenses have been reduced by \$6.5bn in total.

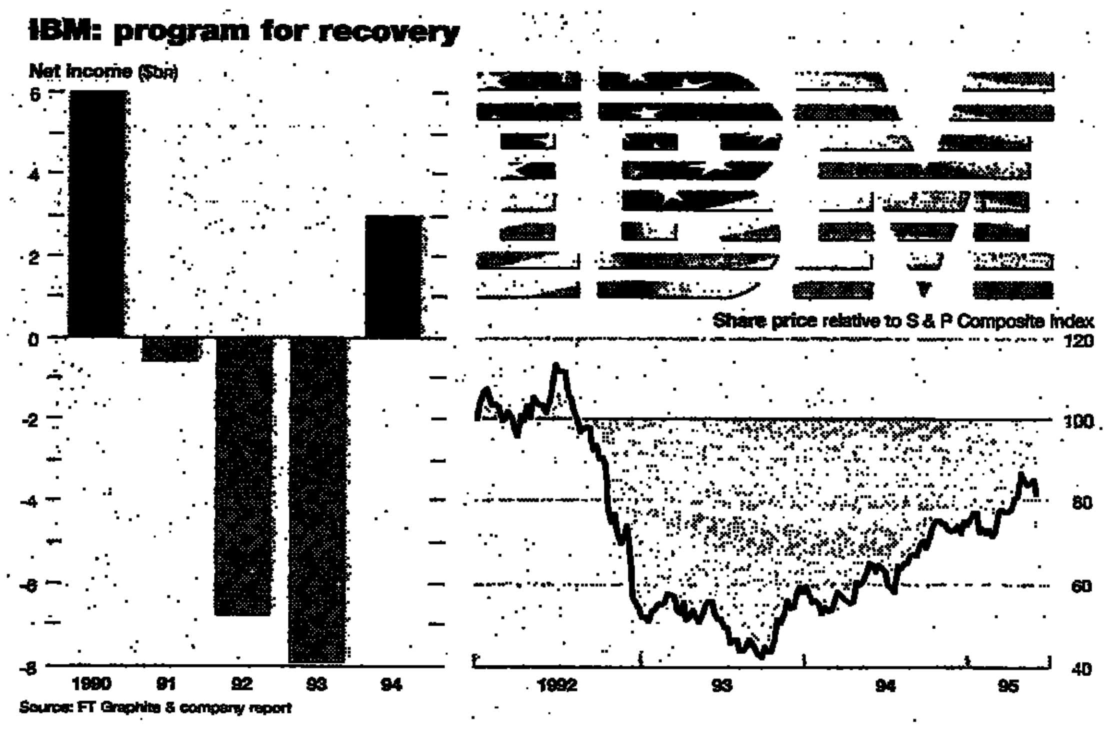
Among steps taken, the company has cut its workforce by about 86,000 to 215,000, chopped its research and development budget, cut spending on mainframe computer development and manufacturing and slashed administrative expenses. The cuts continue: by mid-1996 it aims to pare expenses by a further \$1.5bn.

But while the company's financial performance has improved, IBM is still struggling to improve competitiveness in high growth market segments such as personal computers. It also remains slow in bringing new technologies to market. And there is an uncertain future for the mainframe computers which – together with associated software and services – still account for about 40 per cent of IBM revenues.

The roots of IBM's downfall go back to the mid-1980s when smaller and cheaper computers began to challenge mainframes. Having dominated the IT world through mainframe strength, IBM refused to believe the tide of technology had turned against it and was slow to respond. And in spite of falling profit margins, the company stuck for too long to its tradition of not laying off employees in bad times.

When Mr Gerstner arrived at IBM in 1993, he quickly concluded that the mainframe computer business would offer diminishing returns. "Client-server" networks, which use desktop computer technology, would increasingly replace mainframes, he believed.

Accordingly, he reduced mainframe development spending and cut manufacturing capacity by 40 per cent. IBM's failure to respond earlier to the shift from centralised processing to client-server computing was its "single most important mistake" in a decade, he said.



Yet, after several years of decline, IBM mainframe sales picked up in 1994 and grew by about 25 per cent in the latest quarter.

Many in the industry see this upturn as a temporary bubble. Improved economic conditions in the US have led to higher corporate capital spending. At the same time, falling prices have made mainframes more competitive in comparison with client-server networks which have turned out more expensive and difficult to manage than users had expected.

But Mr Gerstner now appears to see this surge in mainframe sales as a more lasting trend. The mainframe – adapted to work with computer networks – will remain an essential element of corporate computing, he insists, though he concedes that prices will keep falling.

"It is absolutely ludicrous to me that there are people who think large enterprises can operate, let alone compete, without large central data storage and transaction processors," he says.

With traditional mainframes contributing substantially to improved financial performance, Mr Gerstner is also becoming less enamoured of "client-server" computing.

"The concept of client-server computing has proven not to be the panacea that people thought [it would be]," he says. "As information technology has refocused on true enterprise problems – as opposed to how to automate a clerical desktop – large, reliable, powerful computer capability is returning as a priority."

That does not mean that IBM is backing away from efforts to expand its share of the client-server computing market, senior executives insist. But the company now forecasts continuing growth in the volume of mainframe shipments, albeit at lower profit margins. It is gradually updating its products with new less expensive and less cumbersome versions.

Even as Mr Gerstner reverts to IBM's long-standing mainframe strategy, he is also reversing the reorganisation of the company begun by Mr John Akers, his predecessor. This involved breaking IBM up into a "federation of increasingly independent business units", with the aim of making them more competitive in segments of the computer market such as personal computers or disk drives.

Mr Gerstner has centralised some management functions and is demanding greater collaboration among product divisions and regional sales and marketing operations. The growing independence of IBM's business units had created wasteful duplication and undermined the competitive advantages of its size and worldwide presence, he argues.

"The strategic requirements of this business demand an organisation that is not divided into a group of isolated or autonomous units," he says. "The profit margins and the speed to market require that we do things once and we do them fast."

This "fundamental strategic decision" has precipitated broad changes in IBM. The salesforce has been restructured to include industry specialist groups, and product divisions that used to be virtually self-sufficient have been drawn into the corporate fold.

To date the results have been mixed. IBM's personal computer division, which recorded a loss of \$1bn in 1994, increased first-quarter sales by 13 per cent. Competitors, however, grew much faster.

In Europe, where Mr Gerstner's strategy has broken down national "fiefdoms", revenues grew by only about 3 per cent in the first quarter, compared with growth of between 15 and 17 per cent in other parts of the world.

Mr Gerstner attributes this weakness to poor economic conditions in some European countries. However, IBM Europe also appears to have been slower than other parts of the company in reducing its workforce.

Another part of Mr Gerstner's strategy is to exploit IBM's technological strength more effectively by identifying promising new technologies and bringing them to market faster.

Mr Gerstner concedes that the company has in the past been slow to capitalise on its technology. It has made a number of important technological breakthroughs only to see competitors make more effective use of them in products.

Yet this drive to speed up the flow of technology from IBM's laboratories to the marketplace has been accompanied by sharp cuts in research and development spending. This has fallen by 33 per cent during the past two years to \$4.4bn in 1994 – and is continuing to decline, with a further 17 per cent reduction in the first quarter of 1995. At 5.8 per cent of revenues, spending on R&D has dipped well below the average among technology leaders of about 8-10 per cent.

In his drive for greater efficiency, Mr Gerstner runs the risk that IBM may no longer be able to attract, and keep, its share of the "best and brightest" engineers and scientists needed to renew its intellectual capital. The spending cuts also make it more critical for IBM to focus its research on winning technologies.

Until now, Mr Gerstner has been able to blame many of IBM's problems on his predecessor, while taking credit for technology developments and new products, most of which were initiated before he joined. And his determined campaign to cut costs and shake up the company's culture has returned the company to profitability.

Yet lasting success will require Mr Gerstner to address fundamental questions about IBM's product and technology strategies. At present, it is unclear that he is certain about the way forward, particularly on the mainframe dilemma.

Why economic growth is not enough

PERSONAL VIEW

The industrial nations are learning a new lesson in economics: growth is not enough. Last year, the American economy grew at a 4.1 per cent clip, and US companies raked in large profits. Even so, real median wages in the US declined. Growth has picked up in most other advanced countries as well. But many of their citizens are not feeling the benefits.

In an astonishingly short time, the core of the economies of the main industrialised nations has shifted from mass manufacturing – the production of large quantities of identical things – to the creation, processing and distribution of information. Global trade and investment have quickened the tempo and enlarged the consequences of this fundamental change.

Some of our citizens are flourishing. But too many others are left in long-term unemployment and are dependent on government aid – as in much of Europe – or are stuck in dead-end jobs with low pay and meagre benefits – as is more common in the US. This trend threatens the stability and prosperity of our societies.

We fool ourselves if we think we can simultaneously rip apart safety nets, allow unfettered flows of capital and trade, and reassure these economic losers that the resulting growth will make up for any temporary losses they experience.

In a democracy, citizens will support policies promoting economic dynamism only when they feel that they have a fair chance of benefiting. That means the practical choice is not between government intervention and *laisser faire*. It is whether governments take steps to accelerate citizens' successful adaptation to economic change, or are forced to slow the pace of change. Four policy areas are particularly rich with opportunities for equipping ordinary workers to benefit from the new economy:

● The new economy bestows its rewards on workers adept at identifying and solving problems. This means there is a strong case for public spending on skill-building. Many individuals cannot easily finance sufficient education and training. Moreover, a worker's education is in part a "public good", with benefits extending beyond the individual. Private companies will seldom invest aggressively in general training, since competitors can poach trained employees. Many advanced economies already provide abundant tax incentives for investment in physical capital. But few do for investment in human capital. A re-examination of these priorities is in order.

Too many are left in long-term joblessness and are dependent on government aid or are stuck in dead-end jobs

● Even well-educated and trained workers may not thrive in the new economy unless given scope to innovate and invest. This often requires improved access to capital markets (through, for example, small business development banks); the means to safeguard intellectual property (through patent, trademark, and copyright laws); and protection against the predatory behaviour of large competitors (through, for example, antitrust laws).

In an era when many big companies are shedding staff, people are understandably wary of lashing their futures to a large organisation. So, more than ever, they are striking out on their own. Measures to make this easier will produce results far in excess of their cost.

● Workers can share in the benefits of economic growth through compensation systems that enable them to take part of their pay as a share of profits or productivity improvements. When compensation is linked to performance in these ways, employees think and behave more like entrepreneurs. Public policies, such as securities regulations and tax incentives, can encourage these forms of employee ownership.

● In the past, western nations relied on a "safety net" – a fabric of institutions and transfer payments – to catch those who fell, and support them until they could get up again. But yesterday's safety net no longer suffices. It must be woven into the working world. It must not simply buffer people who are crashing towards the bottom. More importantly, it should also help them to make the transition from the old economy to the new. In the US, we are trying to turn our unemployment system into a re-employment system by providing computerised data to guide workers' searches for new skills and jobs, as well as income support.

The main industrialised countries have much to learn from one another in these four policy areas. Europe and Japan generally outperform the US in raising workers' competence levels; the US outperforms Europe and Japan in creating opportunities for entrepreneurs.

What all these nations have in common is an unprecedented reliance on people as the real engine of economic growth. When growth is not enough, investing in human capital is a significant part of the answer.

Robert Reich

The author is US labour secretary

OBSERVER

Brooking no opposition

■ Finally, one long search is over in Washington. Michael Armacost is taking over from Bruce MacLaury as president of The Brookings Institution, the capital's oldest think-tank, in October.

The first obvious change is that Armacost, unlike MacLaury, who occupied the seat for 18 years, and many of Brookings' most illustrious denizens, is not an economist. He is a career diplomat, a defence and Asian specialist, who served terms as US ambassador in Manila and, from 1989-93, in Tokyo. Recently he has been a senior fellow at the Asia Pacific Research Centre at Stanford University in California.

The second is that he may not even be a Democrat. That's no small matter for an institution still generally perceived as providing a home for would-be and past economic policy-makers in Democratic administrations, though MacLaury himself served in Nixon's treasury. The evidence for Armacost's affiliation is that George Bush posted him to Tokyo, a plum job that rarely goes to politically neutral career diplomats.

The third and most worrying change for the cognoscenti is what his arrival will mean for Brookings' marvellous, if unlikely, work on sporting matters. It has produced pioneering volumes on the economics of baseball, one exquisitely titled *Diamonds are Forever*. All that is known about Armacost's sporting prowess is tennis-related, where he was wont to lose, sometimes with Bush as his partner, to Emperor Akihito of Japan and his son. For diplomatic reasons, naturally.

Pipe of peace

■ Among the guests listening to the UK's Foreign Secretary Douglas Hurd and Anson Chan, Hong Kong's chief secretary, at last week's Dragon Boat dinner – the Hong Kong Association's triennial bash – was historian Lord Blake.

Blake has just completed a history of Jardine's, copies of which are sitting on the desks of *taipans* Henry and Simon Keswick. They have paid for and intend to publish it – but perhaps not just yet.

It seems the thought is that now might not be the right moment to unearth Jardine's role in the opium wars and other incidents of an era in which Britain bossed China about – rather than today's role reversal. It'll keep, no doubt.

Given the bird

■ Canadian diplomats are smirking at the thought of Emma Bonino, the European Commission's Italian commissioner for consumer affairs, having a role in selling to a sceptical public the planned new pan-EU currency.

Bonino, it will be recalled, used her knack for plain speaking to good effect in the recent fish war between the EU and Canada. But now that calmer waters have returned, one Canadian diplomat – and no, not even large cheques will prise the name out – suggests that Bonino might consider using the name of Canada's own dollar coin for the new EU currency: "It conveys all things to all people. It rolls off the tongue. It is of course the Looney, named after the bird it depicts."

Shooting star

■ Rupert Murdoch Mark II is being groomed for take-off and the runway looks jolly short. Lachlan Murdoch, 23, Rupert Murdoch's eldest son, only left Princeton last summer but his career has blossomed surprisingly quickly, even for a newspaper proprietor's son.

He has just been made deputy chairman of his dad's Star TV network which reaches more than 220m people in 53 countries in the Far East. Lachlan will play a leading role in charting Star TV's jump into the digital age. His cv looks a bit thin – three months as a sub on the UK's tabloid newspaper The Sun and another three months on its broadsheet stablemate, The Times, both of which happen to be part of his father's media empire. Star TV's chief executive says that Lachlan's "fresh perspectives will be a welcome complement to the strength and experience of the Star team." But then he would say that wouldn't he?

Spud-u-likeski

■ There's nothing like a Russian spud. Who says? None other than President Boris Yeltsin, who says the Russian potato is far superior to tough, tasteless foreign varieties.

"Our agricultural products are better than foreign ones... they are less dirty and more tasty," Yeltsin told cheering workers during a visit to a vegetable farm near Moscow. "[Foreign] potatoes seem to be made out of plastic. You cannot chew them – you need a new set of teeth to chew them." Could always try cooking them...

Manuel's moiety

■ Remember Manuel Noriega, Panama's former strongman? He's now sitting in a US jail, serving a 40-year prison sentence for drug crimes. But life will no doubt considerably improve, thanks to his new \$1,500-a-month pension – awarded by the Panamanian government. His lawyer, Ramiro Fonseca, says Noriega is entitled to the pension under Panama's retirement plan for government workers. Moreover, Fonseca claims that the former dictator is owed \$100,000 in back payments. Makes a change from backhanders.

The Financial Times

100 years ago

Too much friendship

Letter to the Editor:

Sir, Within the last 9 weeks I have bought 650 Chartered of South African shares. Not one single bit of scrip has come to hand from my brokers. I trust now that the holidays are over that the brokers will give attention to their customers' desire to have scrip delivered to them. I am afraid there is rather too much friendship existing between brokers and jobbers, and, instead of working in the interest of their clients, they are working with the jobbers. This class of jobbery would soon be put down in any other business than that of the Stock Exchange.

I am &c.,– Annoyed.

50 years ago

Prime Minister on the £

In his first general election broadcast last night, Mr Churchill declared that the new National Government "stands decisively for the maintenance of the purchasing power of the pound sterling, and we would rather place upon all classes, rich and poor alike, the heaviest burden of taxation they can bear than slide into the delirium of inflation. We will also take good care against unfair rake-offs and monopolies."

FINANCIAL TIMES
Monday June 5 1995

S Africa parliament will debate Zulu deaths

Inkatha's dispute with ANC likely to worsen

By Roger Matthews in Johannesburg

The increasingly bitter row between South Africa's ruling African National Congress and the mainly-Zulu Inkatha Freedom party is likely to worsen this week, following President Nelson Mandela's surprise decision to call an emergency parliamentary debate.

The debate will hinge on Mr Mandela's admission on Thursday that, in March last year, four weeks before the general election, he instructed guards at the ANC headquarters in central Johannesburg to shoot to kill if the building were attacked during an IFP protest march.

Whether the building came under attack on March 28 is disputed, but all sides agree that eight IFP members were shot and killed outside the ANC headquarters. After 14 months, police investigations have not yet yielded any charges. More than 50 other people died in political violence in the greater Johannesburg area that day.

Senior ANC members said yesterday that Mr Mandela was fully entitled, under international and South Africa law, to order people to defend themselves, although the members made no attempt to explain why the president had chosen to raise such an inflammatory issue now.

ANC officials added that Mr Mandela had not instructed offensive action to be taken but, because he was concerned about the safety of senior ANC members, had reminded the guards of their right to self-defence.

The IFP, which is in a dispute with the ANC over the regional powers to be granted to KwaZulu-Natal under the final South African constitution, yesterday called on the police to press murder charges against Mr Mandela. It said the president would also be held personally responsible for meeting civil claims arising from the killings, which total more than R10m ($2.7m).

The relationship between Mr Mandela and Chief Mangosuthu Buthelezi, leader of the IFP and home affairs minister in the coalition government of national unity, seems to have hit new lows because of the mutual recriminations of the past few months.

Chief Buthelezi has repeatedly accused Mr Mandela of having reneged on an agreement, reached in April last year, to let the IFP demands on the future of KwaZulu-Natal be the subject of international mediation.

The president has said he agrees with international mediation, but adds there is no need for it because the necessary constitutional machinery exists.

India's first 'untouchable' chief minister is sworn in

By Shiraz Sidhva in New Delhi

A woman from India's poorest caste has been sworn in as chief minister of Uttar Pradesh, the country's most populous state, in a move that could alter the balance of India's caste-based politics ahead of a general election due in early 1996.

Ms Mayawati, former general secretary of the Bahujan Samaj party, is the first Dalit or "untouchable" to head a state government in the country.

Her appointment follows two days of hectic political activity after her party withdrew its support last week for a coalition of lower caste parties and staked its claim to form an alternative government in the state.

At the simple swearing-in ceremony on Saturday night thousands of Ms Mayawati's supporters flocked to the sprawling lawns of the former British governor's residence in Lucknow, the state capital.

A 42-year-old law graduate and former teacher, Ms Mayawati has a reputation as an outspoken firebrand. She proclaimed that as chief minister her first priority would be to improve law and order in the state. Assuring the state's Moslems of her support, she said she was now leader of all sections of society, not just the so-called backward castes.

Ms Mayawati is backed by Mr Kanshi Ram, maverick leader of the BSP, who is being treated for a heart ailment in a New Delhi hospital.

Mr Ram is trying to expand his party to national level. He says he chose Ms Mayawati to head the Uttar Pradesh government because he hopes to train her to become the country's first lower-caste prime minister.

Ms Mayawati is not a member of either of two houses in the state legislature and will have to prove she has a majority in the assembly within 15 days. The BSP has only 69 members in the 425-member state legislative assembly. But the party claimed in a letter to the Uttar Pradesh governor on Thursday that it had the support of over 280 members.

Prominent among Ms Mayawati's supporters were leaders of the Hindu rightwing Bharatiya Janata Party, marking the first time in Indian politics that the upper-caste Hindu party has joined hands with a party representing those which it has traditionally oppressed.

Political observers are unsure how long she will be able to continue in this uneasy alliance with upper caste Hindus. "Her sharp tongue and her inborn hatred for the upper castes will soon make enemies of these strange bedfellows," a Congress(I) leader and MP said yesterday.

Protest at Thai plans for curbs on foreign brokers

By Ted Bardacke in Bangkok

All 23 foreign brokerage houses operating in Thailand have protested over a proposal before the Bangkok stock exchange to tighten limits on foreign ownership of exchange members.

Recently liberalised Thai law allows foreigners to own up to 49 per cent of securities companies. But at its most recent board meeting, the stock exchange discussed prohibiting membership for any securities company with more than a 25 per cent foreign stake.

"In the current mood of liberalisation of financial markets globally, a move to reduce foreign ownership limits in member companies of the stock exchange would create an extremely negative image of Thailand's capital markets to foreign investors," said a letter sent by all the foreign brokerages to the exchange, the local securities and exchange commission, the Bank of Thailand and the finance ministry.

"Such a retrogressive move would be unique within the regional financial markets. The foreign brokerage community is merely requesting that the status quo be maintained," the letter added.

Thailand hopes to become a regional financial centre, with officials pursuing a plan to compete with Hong Kong and Singapore by the end of the century.

For the plan to succeed, however, local securities companies will have to cede their near-monopoly on transactions on the exchange, say analysts. This has ruffled some feathers within the local brokerage community and their allies in some government agencies.

"Thai securities companies are in the process of establishing their foundations. Allowing foreign companies to hold up to 49 per cent in local firms will amount to letting them dominate the market," Mr Somjet Moosirilert, president of National Finance and Securities and a board member of the exchange, said after a recent board meeting.

The proposal is expected to be considered at the next exchange board meeting on June 21, although it may be delayed by changes to the 11-member board.

Local brokers, however, are not united on the issue. Small securities companies which could be targets for significant foreign investment are said to oppose the new curbs as are Thai securities houses which have overseas ambitions.

It is large brokerages with a substantial local retail base that are behind the move. They stand little chance of receiving much foreign equity participation because it would be too expensive for foreigners to obtain control of them.

THE LEX COLUMN

Dini's dilemma

Fresh from reforming Italy's pensions system, prime minister Lamberto Dini is turning his attention to privatisation. He claims that by early next year, his government will have sold stakes in five companies, raising some L35,000bn. The reality, however, is likely to be more mundane.

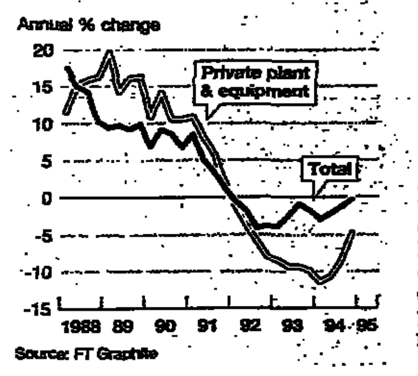
Mr Dini faces sizeable obstacles. Italy is competing with a raft of other international privatisations, so overseas demand will be selective. Meanwhile, domestic investors' appetite has been dampened by the poor performances of the past five government share offers. Nonetheless, the most imposing barrier Mr Dini faces is political. The Italian government has spent more than 50 years building up public sector industry. It would be extraordinary if this could dismantled in just 12 months. Politicians have created industrial fiefdoms, which they are unwilling to pass on to the private sector. Moreover, there is little sense of urgency. Though Italy has a huge debt mountain, L35,000bn would not make much of a dent in it.

In pushing privatisation forward, Mr Dini has been tempted to take the easy path – converting public monopolies into private monopolies, and passing companies on to networks of friendly companies. This may raise capital, but it does little to make Italian industry more competitive. In the long run, structural reforms to boost competition are needed to underpin economic growth and bring in more revenue from taxes.

The share offers of Stet and Enel, the telecom and electricity monopolies, are already being held up by parliament's refusal to approve their regulatory authorities. Mr Dini should use this as an opportunity to liberalise the markets in which they operate. But privatising the giant oil company, Eni, should proceed with haste. Not only does it have no need for a special regulatory authority, this is a favourable stage in the chemicals cycle. Moreover, strong support for the recent share sale of Repsol, its Spanish counterpart, suggests that Eni could get the next stage of the privatisation programme off to a positive start.

Japan

Japan's domestic investment



Source: FT Graphite

Corporate Japan is accustomed to an appreciating currency. But the dollar's 24 per cent decline against the yen since the start of last year has rendered inadequate the traditional responses – cost cutting and restructuring. Increasingly, Japanese companies have reacted by moving production overseas. Last week's announcement by Sega, the electronic games group, that it would transfer production outside Japan was exceptional only because all of its manufacturing is being relocated. The decision by Kobe Steel and Mitsui to invest Y15bn in an iron manufacturing plant in the US was motivated by similar factors.

Improving manufacturing economies through relocation may look sensible at a corporate level, but the potential implications for the Japanese economy are significant. The danger is that expenditure on overseas manufacturing is at the expense of domestic investment; indeed the latter has fallen consistently since the end of 1991. The trend has raised fears that Japan's manufacturing base will crumble.

Such fears are overdone. Japan is a developed economy and it is unsurprising that its basic industries and simple assembly plants cannot compete against those in newly industrialised countries. Japan's future is in high value products such as liquid crystal displays rather than traditional television sets. However, the country must to some extent replace manufacturing with services and in this field it is at a disadvantage; the growth areas of software, media and telecommunications do not play to Japanese strengths.

The restructuring of the Japanese economy will not be easy. Lifetime employment is breaking down: in April the jobless rate hit a record 3.2 per cent, and it could reach 4 per cent by year-end. The danger is that Japanese consumers, concerned about job security, could be tempted to save still more, stifling domestic growth. However, there are benefits to "hollowing out". Eventually increasing volumes of imports from overseas Japanese factories will reduce the trade surplus. That in turn could help halt or even reverse the yen's damaging appreciation.

UK holidays

It looks like another bumper summer for British holidays, though you would not believe it if you listened to cries of doom from travel agencies. Last year, sales of UK package holidays rose by 10 per cent, the third double-digit rise in three years. This year, the number should rise a little more from already high levels.

The problem for the tour operators is that increases in the volume of holidaymakers are a self-fulfilling prophecy. Once tour companies decide to offer a certain number of seats, they fill them at any cost. Hence, last year saw soaring passenger numbers, while overall profit margins weakened. At least January was such a bad month for bookings this year that tour operators cut capacity growth from more than 5 per cent to an estimated 2 per cent. Nonetheless, even that is hard to sell.

Of course, heavy discounting by travel agencies is an annual phenomenon and offers are far less generous than the headlines suggest. They are aimed at a small number of holidays, they are generally for late June bookings and are primarily there as bait for customers. Nonetheless, as expectations of huge discounts on late bookings grow, so does the risk that travel agents will be frightened into pushing these discounts into the two core months of July and August. The economic recovery has yet to feed through into consumer confidence, and there is little reason to think that the holiday industry will buck the trend. Margins must suffer.

The 20 per cent market discount of the share prices of the industry's listed companies, Airtours and First Choice, reflects this malaise. This is their average discount for the past few years, reflecting the industry's volatility. But there could be some good news to come. A recent European Court ruling looks set to result in increased value-added tax for tour operators, but it will not apply to those with in-house fleets, such as Airtours and First Choice. Smaller competitors would have to slash margins or raise prices by an estimated £5 a holiday. Either way, their larger competitors would have reason to toast the Brussels bureaucrats.

EU divisions

Continued from Page 1

Rifkind, the UK defence secretary, reopened Conservative party divisions on Europe by warning Britain could lose control of its own destiny if it joined a single currency.

Mr Rifkind, seen as a possible successor to Mr Douglas Hurd as foreign secretary, said sterling's entry into a single currency would be irreversible. Speaking on BBC1 television he said he did not want to see a single currency imposed by politicians, just because the economies of member states had converged on a single day in a single year.

Former Soviet debt talks

Continued from Page 1

intervening to stall the dollar's slide. Real interest rates have remained extremely high, with the central bank refinancing rate standing at 195 per cent. The tumbling yields in the Russian Treasury bill market have also increased the attractions of holding rouble-denominated debt instruments.

"The rouble has begun to squeeze foreign currencies from our national market and the de-dollarisation of the economy is underway," said Mr Anatoly Chubais, first deputy prime minister in charge of economic policy.

Yet despite a severe monetary squeeze, inflation has remained stubbornly high. Monthly inflation fell only marginally to 7.9 per cent in May compared with 8.5 per cent in April. The slow rate of decline will make it hard for the government to cut the monthly rate of inflation to 1 per cent by the year end as agreed with the IMF.

Although the money supply grew by just 3 per cent in the first quarter of 1995, it shot up in April. Cash-strapped Russian enterprises and farms are expected to intensify their lobbying of the government for cheap credits to keep them afloat.

FT WEATHER GUIDE

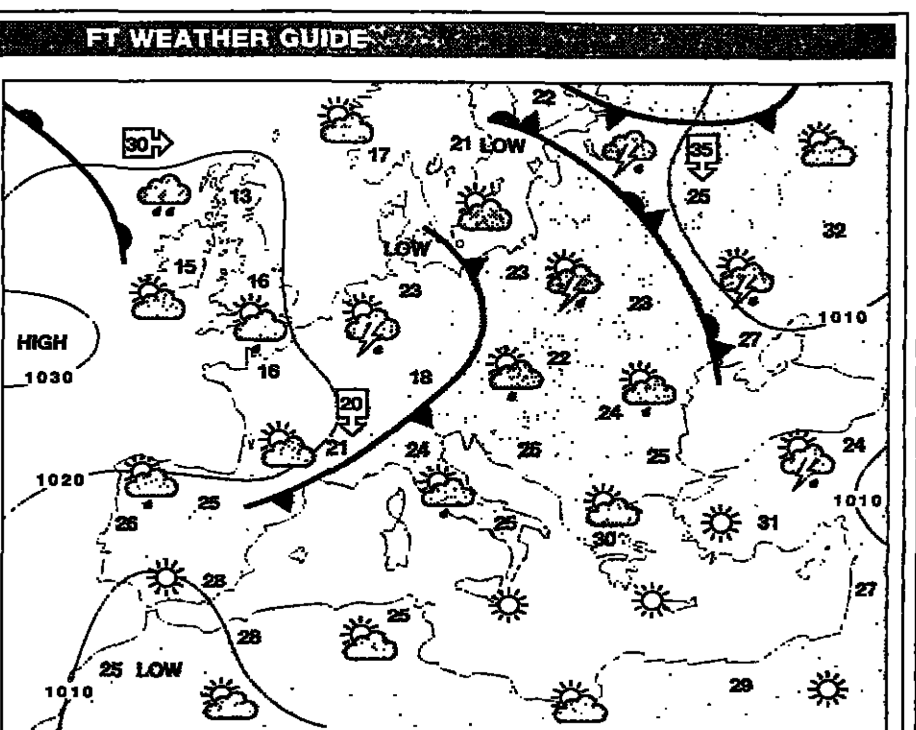
Europe today

Low pressure will dominate the continent, leading to very unstable conditions. The Low Countries, Germany, Poland and the Balkan states will have rain and thunderstorms. A strong high pressure system will remain west of Ireland and extend a ridge towards the British Isles. Western Europe will be quite cool with temperatures below 20C. However, eastern Europe will be warm with temperatures reaching 29C.

Cloud and some rain will occur along a sharp frontal zone stretching from northern Norway across the Baltic Sea into southern Finland. Southern Scandinavia will be cool with temperatures struggling to reach 18C.

Five-day forecast

High pressure will remain over the eastern Atlantic for a couple of days, keeping western Europe cool and unstable. Eastern Europe will be much warmer, although the atmosphere will be unstable enough to produce thunderstorms. The Mediterranean will become more unsettled with thunderstorms over Spain and Italy on Wednesday and Thursday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	37
Accra	shower	33
Algiers	shower	25
Amsterdam	shower	16
Athens	fair	29
Atlanta	thund	25
B. Aires	rain	19
B.ham	fair	16
Bangkok	thund	33
Barcelona	fair	23
Beijing	shower	30
Belfast	rain	15
Belgrade	fair	25
Berlin	fair	21
Bermuda	shower	27
Bogota	shower	19
Bombay	sun	34
Brussels	shower	16
Budapest	fair	22
C.hagen	shower	18
Cairo	sun	34
Cape Town	shower	12
Caracas	shower	30
Cardiff	fair	15
Casablanca	fair	24
Chicago	fair	28
Cologne	shower	18
Dakar	sun	27
Dallas	fair	33
Delhi	sun	45
Dubai	sun	36
Dublin	cloudy	16
Dubrovnik	fair	25
Edinburgh	fair	16
Faro	fair	27
Frankfurt	rain	20
Geneva	shower	20
Gibraltar	fair	24
Glasgow	fair	15
Hamburg	shower	19
Helsinki	rain	23
Hong Kong	fair	33
Honolulu	fair	30
Istanbul	fair	28
Jakarta	fair	30
Jersey	fair	14
Karachi	sun	40
Kuwait	sun	40
L. Angeles	fair	22
Las Palmas	fair	25
Lima	fair	22
Lisbon	fair	31
London	fair	17
Lux.bourg	shower	16
Lyon	shower	21
Madeira	shower	22
Madrid	fair	31
Majorca	fair	27
Malta	fair	26
Manchester	fair	15
Manila	shower	29
Melbourne	fair	15
Mexico City	shower	23
Miami	thund	32
Milan	shower	21
Montreal	shower	26
Moscow	fair	24
Munich	shower	19
Nairobi	thund	26
Naples	fair	25
Nassau	thund	31
New York	fair	27
Nice	fair	24
Nicosia	fair	33
Oslo	fair	22
Paris	shower	17
Perth	rain	19
Prague	shower	21
Rangoon	thund	31
Reykjavik	shower	9
Rio	sun	24
Rome	fair	25
S. Frsco	fair	19
Seoul	shower	27
Singapore	shower	33
Stockholm	fair	21
Strasbourg	shower	19
Sydney	shower	16
Tangier	fair	27
Tel Aviv	sun	30
Tokyo	fair	25
Toronto	sun	26
Vancouver	shower	15
Venice	shower	23
Vienna	shower	21
Warsaw	fair	20
Washington	sun	30
Wellington	fair	12
Winnipeg	fair	27
Zurich	shower	17

FINANCIAL TIMES

COMPANIES & MARKETS

Monday June 5 1995

MARKETS THIS WEEK

BRONWEN MADDOX:
GLOBAL INVESTOR
Brokers have spent weeks trying to guess the level of the dollar's floor. Now some have revived theories of investment on the basis of sectors rather than countries. However, the analyses do not present a convincing case and they suggest the opposite: the importance of local factors rather than global ones in determining the performance of stocks. **Page 20**

ROBERT CHOTE:
ECONOMIC EYE
The prospect of increased trade between the industrialised countries of the north and the developing south has often caused anxiety. In the 1950s and 1960s, for example, the south worried that competition from the north would hamper its industrialisation. In the 1990s, the north fears competition from the south, with its lower wages, is threatening its jobs and incomes. **Page 20**

BONDS:
The party may be quietly ending for the US economy, but it is in full swing on the bond market. Almost every economic statistic last month indicated that the six interest rate increases since February of last year have been manifested in the form of slower growth. **Page 22**

EQUITIES:
Improved investor sentiment towards international equity issues was confirmed by last week's successful placement of three large initial public offerings in Portugal, the Netherlands and Sweden. **Page 21**

EMERGING MARKETS:
Stock markets in Africa south of the Sahara, one of last year's best performing sectors in the emerging markets, have paused for breath in 1995. **Page 21**

CURRENCIES:
Foreign exchange markets will again this week be trying to make sense of the dollar and grapple with last week's conflicting information. **Page 21**

COMMODITIES:
The Voisey Bay road show comes to London today. Those wanting to know more about what is being hailed as north America's biggest base metals discovery for decades will get their chance at a presentation on the nickel, copper and cobalt deposit. **Page 20**

UK COMPANIES:
Bank of Scotland, which faces a small shareholder's resolution to limit directors' pay is seeking to change its regulations to make it more difficult for such resolutions to be put. **Page 18**

INTERNATIONAL COMPANIES:
Advance Bank, the Sydney-based commercial bank, is to acquire the state-owned Bank of South Australia for A$730m (£329m). The merged group will be Australia's largest regional banking business, with assets of more than A$19bn. **Page 19**

STATISTICS

Arjo plans to buy US coated paper group

By Patrick Harverson in London

Arjo Wiggins Appleton, the Anglo-French paper group, will announce this week the *acquisition of a US coated paper manufacturer* for £60m-£70m ($95m-$110m).

The group is also poised to buy a Portuguese paper merchant in a move that will consolidate Arjo's position as the largest paper distributor in Europe. The two acquisitions will be financed by cash.

Arjo plans to spend another £130m-£140m *upgrading manufacturing facilities* at the US acquisition and at Appleton, its US carbonless paper maker.

The combined £200m investment is central to the plans of Mr Cob Stenham, chairman, and Mr Alain Soulas, chief executive, to address the problem of Arjo's fast-maturing US business.

Although Appleton has been Arjo's biggest profits generator in recent years, the carbonless paper market is rapidly maturing and the unit is under additional pressure from rising raw materials prices and competition from larger US rivals.

Such is the concern about Appleton's earnings outlook that several City analysts who visited the US company last week lowered their profits forecast for Arjo when they returned to London.

Arjo hopes those concerns will be eased by the acquisition of a coated woodfree paper manufacturer. Coated paper, which is used for glossy publications such as magazines and catalogues, is the fastest *growing segment of the world paper* industry.

The deal will help assuage disappointment at last year's failure to buy S. D. Warren, the US coated paper manufacturer. Arjo lost out when a much higher £1.6bn offer from Sappi, the South African paper group, was accepted by Scott Paper, Warren's US parent.

The acquisition of a merchanting company in Portugal, meanwhile, will complement Arjo's pulp operations in that country and add to the list of European paper merchants recently acquired by Arjo.

Last month, the group paid £56m for two Italian merchants and announced the *acquisition of a stake* in a Hungarian distributor.

Arjo has been attempting to buy the paper distribution operations of Holvis, the Swiss non-wovens and paper distributing company, which is the subject of a bid battle between BBA Group, the UK industrial and engineering company, and International Paper, of the US.

The Portuguese deal, which is expected to cost Arjo about £20m, should be clinched within a few months.

Richard Waters talks to Thomas Renyi about the rise of the Bank of New York

Untidy mixture proves to be a winning recipe

Mr Thomas Renyi isn't expansive and doesn't offer grand visions of the future at the Bank of New York. With his bifocal glasses and careful manner, the man in line to become the next chief executive of New York's sixth biggest – and least talked about – bank seems the very model of banking rectitude.

However, with Mr Renyi, as with the institution of which he is president, appearances can be deceptive. For the Bank of New York seems to have found the answer to two of the questions that are currently perplexing many US bankers.

One: how to achieve double-digit revenue growth at a time when banks are close to the peak of their earnings cycle?

And two: how to become one of the low-cost producers in an industry where products from credit cards to commercial loans have become commodities?

The Bank of New York's answers appear unremarkable. The US's 19th biggest bank judged by assets, it has nurtured a range of niche businesses and pursued a relentless attack on costs.

With a smaller exposure to third world and property loans than most of the money centre banks with which it is frequently compared, the bank emerged faster and better capitalised than many from the banking industry's downturn of the early 1990s. That left it well placed to buy the marginal operations that other banks were selling, from Barclays' New York branches in 1992 to last month's agreement to purchase J. P. Morgan's global custody business.

In an era when conglomerates have fallen out of fashion, in banking as much as anywhere else, the result at first glance looks an untidy mix of operations: a retail bank in the New York area that lacks a commanding presence in New York city itself; the US's eighth biggest bank issuer of credit cards; a corporate lending business; and the one field where Bank of New York is emerging as a clear leader, the business of processing securities transactions and acting as a custodian and trustee for institutional investors and corporations.

Mr Renyi shrugs off the conglomerate tag. "We do not necessarily view ourselves as a conglomerate bank – we have a very focused view of our lines of business," he says. At the same time, he offers the standard defence used by conglomerates everywhere: "We want a diversified earnings stream. It introduces a consistency and reliability in earnings per share and share price growth."

Certainly, Bank of New York has a stronger presence in the businesses where it operates than the broad numbers suggest. It has the largest number of retail bank branches in the New York suburbs of any bank, it is one of the biggest issuers of low-interest rate, no-fee credit cards and it has become one of the biggest lenders in the media industry.

On the cost side of the equation, meanwhile, the Bank of New York has become the most efficient of the US's 20 biggest banks. Its efficiency ratio (the ratio of non-interest expenses to revenues) last year stood at 54 per cent, compared with an average of 59 per cent among the super-regional banks with which it has most in common (big money centre banks, meanwhile, averaged 63 per cent). In the first three months of this year, the ratio fell to 51 per cent.

What is more, the bank's enviable operating efficiency has not been won through the sort of swingeing cost-cutting that is currently wreaking havoc in many big US banks. Instead, it is the result of years of pressure imposed by Mr Carter Bacot, the bank's chairman and chief executive for the past 13 years. "He had a tough attitude to costs long before that became fashionable," says Ms Diane Glossman, senior banking analyst at Salomon Brothers.

The low-cost culture has left the Bank of New York well placed to compete in the two businesses where it is expanding most rapidly: no-fee credit cards, where its receivables grew by 24 per cent last year to $7.7bn, and global custody.

A series of purchases has been capped in recent weeks with agreements to buy the custody operations of BankAmerica and J. P. Morgan and the corporate trust business of NationsBank. If Mr Renyi succeeds in retaining all those institutions' customers, the bank's custody assets would reach $3,000bn, making it half as big again as rivals such as Chase Manhattan and State Street.

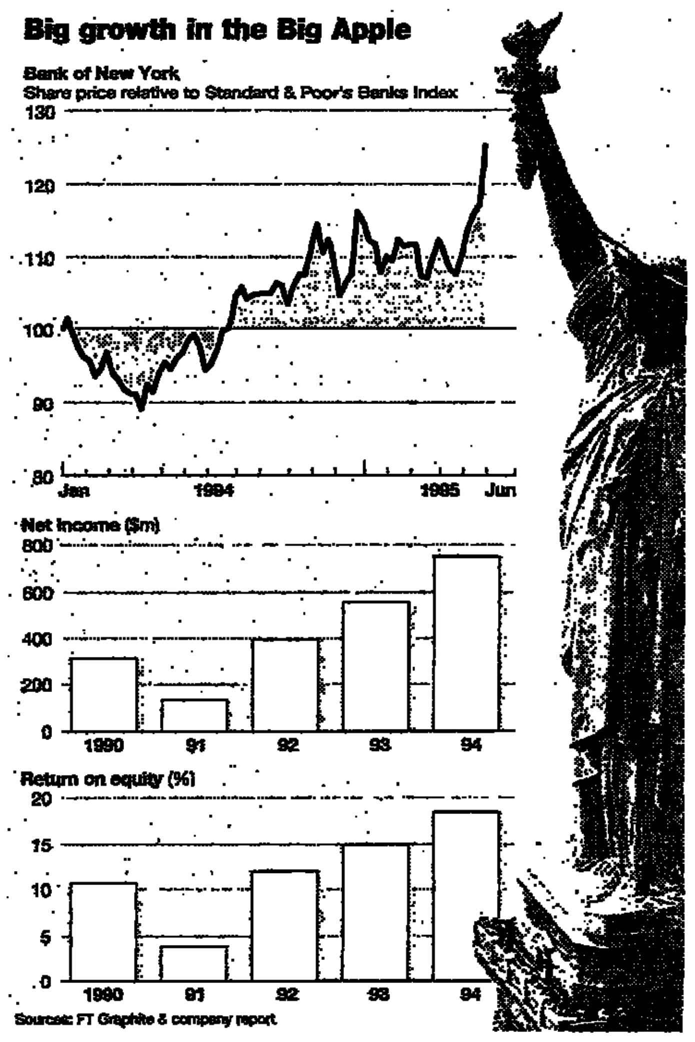
The message has gone down well with the stock market in recent weeks. Bank stocks generally have stormed back into favour with investors as the prospect of an easing of US interest rates has grown, but Bank of New York has done better than most. In the past month, its shares have risen 27 per cent, hitting another high on Friday with a $1⅛ gain to $41⅞.

The rally has lifted the Bank of New York's stock market rating from that of a money centre bank to one more akin to a super-regional. The question now is whether it can justify a premium rating that would lift its shares still further.

Mr Renyi, who was named last December as successor to Mr Bacot when the long-time chairman retires in three years' time, promises a continuation of the current strategy – and no surprises. The bank will not make any big or dilutive acquisitions, he says: "A better opportunity for our capital today is in the processing business."

Also, it won't pursue a merger with an similar-sized institution, something that seemed under consideration a year ago. "We don't think mergers of equals work," Mr Renyi says.

Big growth in the Big Apple



Source: FT Graphite & company report

Deposits fall at UK investment banks

By Geoff Dyer in London

Deposits held at UK investment banks fell by nearly 10 per cent in the two months after the collapse of Barings, according to figures published by the Bank of England.

Deposits at UK investment banks fell to £46.8bn ($74.4m) at the end of April from £51.7bn at the end of February, when Barings' problems first became apparent.

A senior executive at a UK investment bank said this was "the result of the climate of uncertainty affecting the merchant banks" since the collapse of Barings – since taken over by Internationale Nederlanden Group, the Dutch bank.

He said events at S. G. Warburg, the UK investment bank, especially its aborted merger talks with Morgan Stanley, of the US, had also affected the sector. Warburg is now being bought by Swiss Bank Corporation.

Recent figures from the British Bankers' Association showed a rise in deposits at the UK clearing banks. Deposits at Barclays rose to £95bn by the end of April, from £89bn at the end of December.

Analysts believe corporate treasurers and fund managers are moving cash to the clearing banks because of concerns about the stability and capital strength of the investment banks. The Bank of England's figures show sterling deposits by the UK private sector dropped to £12bn at the end of April from £14.6bn at the end of February.

The trend in the inter-bank market is less clear. Sterling deposits are slightly down over the first four months of the year, albeit with large monthly swings. However, foreign currency deposits have fallen 12 per cent to £5.02bn since the end of February.

One senior banker said the investment banks faced "a permanent problem" from fund managers who were under pressure to diversify cash holdings. But it was "too early to predict the effect the Barings crisis will have on the inter-bank market".

This was only the third time in 35 years that the investment banks had faced a problem of confidence in the inter-bank market, he said. The other two occasions were after the secondary banking crisis of 1973-74 and the 1987 stock market crash.

This week: Company news

3i

'Buried treasure' warms brokers to Footsie entrant

3i, Europe's largest equity investor in private companies, is expected to report net assets of 355p to 360p a share when it announces its first interim results since flotation on Thursday.

This figure would represent about a [illegible] per cent increase in NAV over the 315p value a year earlier against which the flotation was priced. The group, which entered the FT-SE 100 index last year, is also expected to announce a rise in dividend which some brokers say could be as much as 7 per cent.

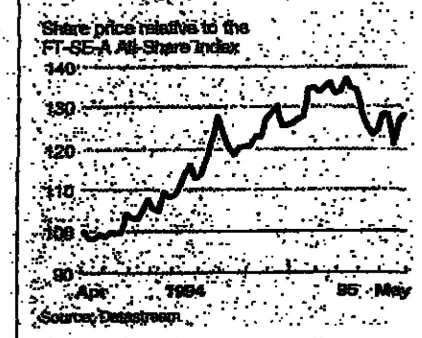
After the interim results announcement, 3i's brokers are expected to begin the process of selling up to 20 per cent of the group's shares. These are still held by the high street banks and the Bank of England, the major shareholders of the institution since it was founded in 1945.

This will bring the free float of the company to about 70 per cent, increasing the liquidity of a stock that has been in short supply for institutional investors that require a weighting in FT-SE 100 stocks. Since flotation at 272p – a 13.5 per cent discount to NAV – 3i's shares have outperformed the FT-SE index by about 25 per cent.

Brokers building the book ahead of the share sale to institutions will be pointing out that these interim figures are based on NAV's struck at March 31, 3i's year end. They will argue that 3i's portfolio of over 3,000 private companies contains significant "buried treasure", the value of which is not reflected in 3i's asset value. The accounts for about half the portfolio companies, they argue, have year-ends at June 1994. There is therefore a lag before the benefit of economic recovery in the UK in the ensuing period will be reflected in their accounts and consequently those of 3i.

On the other hand, 3i is a cyclical stock, with its NAV highly geared to the UK's economic cycle.

3i



Source: Datastream

OTHER COMPANIES

Variable vintage for water utilities

Anglian Water today kicks off a busy week for the UK water sector, with five companies reporting annual results in the final year of the original pricing regime. Only one of the five, Yorkshire Water, is expected to follow North West's example by unveiling a special dividend for both shareholders and customers. At least two, Thames and Welsh, could well depress with disappointing results from the non-core businesses. Anglian is forecast to produce profits excluding exceptionals of about £230m ($366m) today, against £192.2m last time. The market is *looking for about £300m from Thames* Water, which reports tomorrow against £241.7m last time. On Wednesday, Yorkshire is pencilled in at about £170m, against £154m before exceptionals. Northumbrian takes its turn on Thursday with profits expected to rise from last year's £71.2m to about £88m. Finally, Welsh ends the week on Friday with profits expected to fall to £130m, after further non-core losses, against last year's £144.2m.

■ **Valmet:** The Finnish paper machinery and engineering group will rebound into the black when it reports figures for the first four months today, even though it forecast losses for the period as recently as February. Machinery deliveries have been ahead of schedule and the strengthening markka has cut interest payments on foreign debt. Analysts believe profits could reach FM100m ($23m) after a *FM226m deficit a year ago.*

■ **BAA:** The privatised airports group will get some respite today from the public inquiry into Terminal 5 at London's Heathrow airport when it publishes its results today. Analysts are forecasting pre-tax profits for the year to March of £360m-£370m ($572m-$588m), up from £322m. Retail revenue is expected to grow strongly due to increased capacity.

■ **Emap:** Also today, the fast expanding UK-based media group is expected to produce pre-tax profits of £62m-£63m ($98.5m-$100.2m) when it announces its results for the year to April. During the year, the group acquired the European publishing interests of Maclean Hunter for £60m, 28 magazines in France, many from Editions Mondiales, for a total of £107.8m and took control of Trans World Communications in a deal that valued the radio group at about £70.8m.

■ **Schwarz Pharma:** Germany's new issue bandwagon moves along this week with the announcement tomorrow of terms for the postponed Schwarz Pharma share offer.

The expanding pharmaceutical company, with sales of DM882m ($621m) and net income of DM70m last year, delayed its issue – expected to raise *about DM250m* – from March because of the weak state of the stock market as the D-Mark soared.

■ **De La Rue:** The market expects the UK-based security printing group, to produce pre-tax full-year profits tomorrow of about £145m ($230m), *which would amount to a 12 per cent* increase on last year's figure. Earnings per share of about 54.5p are forecast, against last year's 47.5p. One point of interest will be the performance of Garny, a supplier of security equipment to the German banking industry. Mr Jeremy Marshall, chief executive, said in March that Garny was experiencing tough trading conditions which were eroding margins and that profits, which last year were £5m, were expected to be halved at the year end.

■ **Comptoir des Entrepreneur:** The French specialist property bank holds its annual general meeting on Thursday to formalise a financial restructuring under preparation for more than two years.

Shareholders will ratify the appointment of a new chairman, changes to the share structure and a series of modifications to the accounts, including removing a large proportion of its bad loans into an off-balance sheet vehicle. Under the new structure, Assurances Générales de France, the insurer scheduled for privatisation, injects FFr400m ($81m) in exchange for becoming the majority shareholder with an increase in its stake to 74.89 per cent from 29.74 per cent. Shares in the group were requoted on the French stock markets last month in anticipation of the restructuring, after which they dropped more than 10 times in value from the opening price of FFr219 at which they were first suspended.

Companies in this issue

Laura Ashley denies US bid threat

By Roger Taylor

Laura Ashley, the clothing and furnishings group, moved swiftly yesterday to quash press reports of a potential takeover bid from the US.

Speculation centred on Sir Bernard Ashley, widower of the founder, who holds 34 per cent. The company said: "Sir Bernard has no intention of selling his stake. The company itself has received no approach." It added that Sir Bernard and the board "fully agree about the direction of the company".

Sir Bernard Ashley: has 'no intention' of selling his stake

Press reports focused on an approach by Ms Georgette Mosbacher, wife of former US commerce secretary Mr Bob Mosbacher and previously chairman of cosmetics company La Prairie, which she sold to Biersdorf of Germany. She gained notoriety as the writer of Feminine Force and for being named as an enemy of democratic politics by Bill Clinton's campaign manager.

Laura Ashley had losses of £30.6m in the year to January after £34m of restructuring costs. This was the fourth successive year of losses. The current reorganisation is designed to save £10m a year by cutting overheads in continental Europe and America.

The share price, at 76p, is well below its 1993 high of 117p. The company is still looking for a new chief executive since the departure of Mr Jim Maxmin in April last year.

Bank of Scotland to protect directors' pay

By William Lewis

Bank of Scotland, which faces a small shareholders' resolution to limit directors' pay at its annual meeting, is seeking to change its regulations to make it far more difficult for such resolutions to be put.

The bank, which is celebrating its tercentenary this year, has called an extraordinary meeting on June 20, the same day as its annual meeting. One of the proposals would end the right of individual voting shareholders – known as "proprietors" – to put forward independent resolutions at the AGM. This provision has been *in place since 1920; however,* the bank says it is "unusual in modern company practice".

It wants to change the rules so that only shareholders representing "not less than 5 per cent of the total voting rights" will be able to put down resolutions. The proposed amendments would also permit a group of at least 100 shareholders "on which there has been paid up an average sum per proprietor of not less than 100" to initiate resolutions.

The proposed changes are likely to make the bank the next target of PIRC, the corporate governance consultancy. Last week at *British Gas's* annual meeting PIRC's resolution, critical of the directors' new pay packages, was voted down by institutional shareholders.

At the bank's 299th AGM, *shareholders will vote on a resolution put down by* Mr J H Mann, a small shareholder, who is proposing a formula to limit directors' pay and benefits.

The Bank's annual report shows that the total emoluments of Sir Bruce Pattullo, governor and chief executive, rose by 15 per cent from £326,000 to £377,000 last year.

In a note to shareholders, Sir Bruce recommends that they vote against Mr Mann's resolution, which he describes as unworkable.

The bank follows the Cadbury Committee's recommen*dations "completely" on set*ting directors' pay, Sir Bruce says. "Members of the remuneration committee have very considerable expertise on which to draw and there is no evidence that the bank has *acted irresponsibly regarding* directors' remuneration."

At the EGM the bank is also seeking shareholder support for a new share option scheme for executives.

Direct Line can take deposits

Direct Line, the telephone based insurance company, has received a licence to offer deposit and bank accounts from the Bank of England. And Direct Line Financial Services, its rapidly growing offshoot plans to add a savings product.

Mr Jim Spowart, managing director of Financial Services described the move as "the next step to Direct Line becoming a diversified financial services group".

However Direct Line said it would be limiting *itself to savings products and had no plans for a* current account.

Direct Line, a Royal Bank of Scotland subsidiary, began business offering car insurance over the phone in 1984, and has been expanding into new areas over the past two years. Initially, household and life insurance were added. Then Direct Line Financial Services, began offering unsecured personal loans last year and this year launched a mortgage service.

Limited disclosure still excites

Jim Kelly considers the reporting of the Big Six accountancy firms

At about 10.30 this morning the UK's Big Six accountancy firms – Coopers & Lybrand, KPMG, Andersen, Ernst & Young, Price Waterhouse and Touche Ross – will simultaneously multi-fax each other with their annual "results".

For a profession which prides itself on staying cool and calm, today is an exception. As a senior partner at one of the Big Six puts it: "My partners and staff will be in a crescendo of excitement."

Ironically these firms, built largely on the provision of statutory audits to companies, are among the few institutions in the UK which do not produce annual reports and accounts. At the moment this is a right they do not intend to relinquish.

The law does not require them to produce annual public accounts but they choose, collectively, to provide fee income data, supplemented by a breakdown by sector and total numbers of staff and partners. This data is insufficient, to say the least.

Profits and losses are not revealed and the income figures are based on gross client fees. Comparability, one of the key features of exemplary accounts, is difficult. Not all the firms have the same year end, and some differ in the way they collect and organise the information.

Increasing diversification also makes comparison difficult. Arthur Andersen, through its sister firm Andersen Consulting, is seen as veering off into new markets, providing "out-sourced" services such as personnel and information technology for instance. Most of the other Big Six would prefer not to be compared with Andersen, especially as it continues to grow more quickly than they do.

A full set of results, including partners' remuneration, would attract much wider interest.

KPMG has taken the most high-profile step along the road to establishing a separate identity by setting out to incorporate its audit practice. It hopes the move will protect its partners from the growing tide of litigation facing the profession.

If it goes ahead, the fee income table will never be the same again. It says it is close to a final partners' vote on the issue.

Mr Colin Sharman, KPMG's senior partner, has promised that incorporation will mean the publication of full financial results for the whole firm. It would still be able to contribute to the fee table, but a full set of results, including partners' remuneration, would attract much wider interest.

Although the fee income table may be in its last years – most of the big firms admit to some interest in following KPMG – there will still be plenty to learn from today's figures. They indicate both the *individual fortunes of the firms* and that of sectors of the economy.

All eyes will be on the rise of Andersen. Last year it rose to third place, from fourth, with income of £433m. It was sixth three years ago.

During the year it joined forces with parts of Binder Hamlyn and is likely to take a large slice of its fee income, of about £100m, into its own total. Coopers & Lybrand's top position, with income of £560m last time, looks unassailable, although KPMG will be looking over its shoulder.

Ernst & Young, Price Waterhouse and Touche Ross will be looking for a return to significant growth. In 1993-94, they recorded fee income growth of 3.8 per cent, 0.6 per cent, and -0.8 per cent respectively. Touche Ross, a leader in large insolvency work, had been badly affected by economic recovery.

However, most observers believe that while volumes have increased, prices are very competitive, and the spectacular growth of the 1980s will never be repeated. Allegations that firms are using predatory pricing to get work abound. As one partner remarked last week: "We are dealing with a much more sophisticated buyer today."

While fees from insolvency work, a classic case of counter-cyclical income, are likely to *be hit by the* recovery, this may well be compensated for by growth in tax work and related consultancy. Many firms are pinning their hopes on such work, although they have run into fierce competition from the large legal firms. In 1993-94, Ernst & Young took 28 per cent of its fee income from tax work.

Later in the week fee income figures should be released by the rest of the top 30 UK accountancy firms. There will be considerable interest in the performance of the second tier, Group A, firms which have seen the gap widen with the Big Six over recent years. In 1993-94 Grant Thornton earned £107m from fees and was placed behind Touche Ross – the smallest Big Six firm – with £332m. The medium-sized firms have tried to fend off the Big Six by specialising in advice to fast growing companies.

NEWS DIGEST

Redland revamps US tile business

Redland, the construction materials group, is to reorganise Monier, its US roof tile company, at a total cost of $49m (£31m). The company said the changes should reduce annual costs by $14m, *writes Nigel Clark.*

It is investing a total of $25m in new plant while writing off about $24m on its existing plant. Mr Paul Hewitt, finance director, said that the write-off should be covered by the surplus on sales of various companies in March. This included the A$195m (£88m) disposal of Monier, which makes bricks in Australia and New Zealand.

Monier Inc accounts for about 20 per cent of Redland's US sales of £500m. Profits have been falling since 1993 and it is expected to break even in the current year.

De La Rue sale

De La Rue, the security printing group, is selling Portals Engineering, which manufactures weighing equipment and paper counting machinery, to a management buy-out team for £10.3m.

Portals Engineering was acquired as part of the £682m takeover of the Portals group last December.

De La Rue is also looking for buyers for JR Crompton, which manufactures tea bag paper, Servelec, a systems company, and instrumentation manufacturer Technolog.

Toy Options float

Toy Options, which distributes last year's best-selling Biker Mice From Mars toy range, has announced a placing price of 65p for the 5m shares being sold in its flotation. This values the company at £13m.

The issue, sponsored by City law firm Taylor Johnson Garret, will raise a net £2.7m.

RIT loss at £1.1m

RIT Capital Partners, the growth capital investment trust managed by J Rothschild Capital Management, reported a net pre-tax loss of £1.1m for the year ended March 31 1995 against a profit of £8.1m.

Diluted net asset value fell to 213.4p per share at the period end against 221.6p a year earlier. However, by May 31 the value had risen to 219p.

Losses per share were 1.31p (3.03p earnings). The proposed single final payment is raised from 1.51p to 1.58p.

Proudfoot revokes

Proudfoot, the restructured management consultancy, has revoked the scrip dividend alternative to its 2p final dividend. Under the terms of the offer, the company's shares were valued at 61.2p; they have subsequently fallen to 49p after analysts slashed current year forecasts from £11m to £4m-£5m following warnings of reduced revenues in the US.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
International Paper (US)	Holvis (Switzerland)	Paper & Board	£257m	Increase too late?
Banco Bilbao Vizcaya (Spain)	*Probursa (Mexico)*	Banking	£223m	Majority stake plans
Merck (Germany)	VWR Corp (US)	Chemicals	£148m	Upping stake to 46%
Candy (Italy)	Unit of Maytag Corp (US)	Domestic appliances	£108m	"Strategic" Hoover sale
Handelsbanken (Sweden)	*Units of Skopbank*	*Banking*	*£85m*	*Develops regional strategy*
Deutsche Bank (Germany)	Finanza & Futuro (Italy)	Financial services	£75.7m	DB continues Italy growth
Hogg Robinson (UK)	Bennett Travel (Scandinavia)	Travel Services	£58.5m	Volvo/Co-op sale
Stagecoach (UK)	Rodoviaria de Lisboa (Portugal)	Transport	£6.3m	First continental Europe step
AlliedSignal (US)	Polymer und Filament Rudolstadt (Germany)	Textiles	n/a	Nylon springboard
CRA (Australia)	Potasio Rio Colorado (Argentina)	Mining	n/a	Option for 80% stake

Advance wins contest for state-owned BankSA

By Nikki Tait in Sydney

Advance Bank, the Sydney-based commercial bank, is to acquire the state-owned Bank of South Australia for A$730m (US$521.42m). The merged group will become Australia's largest regional banking business, with assets of more than A$19bn and about 400 branches.

The deal comes amid signs of a further shake-up in the Australian banking industry, with a number of state-based banks – in some cases, government-owned – tipped to change hands in the near future.

Some analysts say this process will enable the "big four" commercial banks to consolidate their position, while others suggest that a new group of "super-regionals" will be created.

Advance's surprise victory in the auction for BankSA appears to favour the second scenario. Westpac, one of four national banks but with a relatively low profile in South Australia, had been rumoured as the most likely buyer.

Some analysts suggested that Advance had paid a high price for BankSA, which made an interim profit of A$39.2m after tax in the last half year – particularly because the scope for pruning overlapping operations would be limited.

However, Mr Jim Service, Advance's chairman, said the deal would give it access to new markets and a broader customer base, "continuing geographic expansion which began in the Australian Capital Territory and more recently continued in south-east Queensland".

Advance, previously in sixth place in the Australian banking sector, has grown rapidly in the past 10 years. In 1985, it was a NSW-based home loan institution, with assets of about $2bn. Prior to the BankSA deal, it had about 250 branches and A$12bn of assets.

To fund the deal, Advance is planning a placement of 5.9m new shares at A$9 each, and a further 7-for-10 rights issue at A$7.75, to raise A$563m.

BankSA was formed from the State Bank of South Australia, which collapsed in 1991, contributing to the Labor Party's loss of control in the state. Under the Liberal government, the core retail and commercial banking operations of SBSA were transferred to a newly incorporated banking company, and BankSA began operations on July 1 1994.

Norwegian bank bid rejected

By Karen Fossli in Oslo

Norgeskreditt Holding, an emerging Norwegian financial services group with assets of NKr90bn ($4.8bn), has rejected an acquisition proposal from Christiania Bank, Norway's second-largest bank.

The proposal would have been transformed into a formal bid by the bank, but Norgeskreditt found the terms unacceptable.

"We didn't obtain the necessary support from the board of Norgeskreditt for our proposal to acquire the company," said Mr Ludvik Sandnes, Christiania's finance director.

Christiania said it was considering making a cash offer for the company on May 23, when Norgeskreditt shares were suspended on the Oslo bourse.

The shares last traded at NKr198, but fell NKr14 to NKr184 on Friday on the news that negotiations had been wound up. Christiania's shares rose NKr0.30 to NKr13.50.

Mr Christian Sveas, chairman of Viking Supply Ships, Norgeskreditt's second-largest shareholder with a 12.5 per cent preference shareholding, said the proposal foundered on both the price and the strategy put forward by Christiania.

He said the price offered by the bank was market capitalisation plus a "slight" premium. Before Norgeskreditt's shares were suspended, the company's market capitalisation was about NKr1.8bn.

"We would have hoped for a better offer, but on the other hand, it was the only offer," Mr Sveas said.

Had Christiania acquired Norgeskreditt, the bank would probably have been forced by the authorities to shed Finansbanken, a local bank with assets of NKr3.5bn acquired by Norgeskreditt last year for NKr340m.

Finansbanken was acquired to boost Norgeskreditt's profits, which have languished for some time. A consortium of institutional investors had been committed to buying Finansbanken.

Swedbank issue oversubscribed

By Hugh Carnegy in Stockholm

Swedbank, the biggest bank in the Nordic region by asset value, has taken a step out of the shadow of the loan-loss crisis that hit Swedish banks in the early 1990s by announcing that it has raised SKr3.5bn ($480m) in an international share issue that was three times oversubscribed.

The issue means Swedbank, created in 1992 by the amalgamation of 11 loss-hit savings banks, will join Sweden's other two leading commercial banks, Svenska Handelsbanken and Skandinaviska Enskilda Banken, on the Stockholm stock exchange. Trading begins on June 9.

Proceeds from the issue, in which a 22.6 per cent share of the bank was sold, will be used by the savings bank foundations which remain Swedbank's principal owners to pay down debt which the government guaranteed as part of measures to help them through the loan-loss crisis. They will be able to reduce the debts to SKr2.5bn from SKr6bn.

Some 53m shares were sold to the Swedish public and Swedish and international institutions, valuing Swedbank at SKr15.5bn. Swedbank savers and other retail buyers paid SKr53.94 per share. Institutional buyers paid SKr58, well above the minimum average set by Swedbank of SKr51.

German personal equity plans proposed

By Andrew Fisher in Frankfurt

A group set up to promote share ownership in Germany has proposed the introduction of personal equity plans like those in the UK, France and Belgium to relieve growing pressure on the state pension system.

"The ratio of pensioners to employees will rise drastically in coming decades," said Mr Helmut Loehr, chairman of Deutsches Aktieninstitut (German share institute). "Thus, the increased encouragement of private provision for the needs of old age will be essential."

The institute, an independent body supported by banks and companies, envisages a scheme in which each income taxpayer can invest a certain sum in shares of equity-based investment funds. This could be offset against tax, with capital gains and dividends tax-free if reinvested.

Noting the government's present problems, Mr Rüdiger von Rosen, general manager of the institute, said the scheme would only lead to a small reduction in tax revenues. "In the future, however, the relief for public finances would be enormous."

The institute's initiative comes as German equity markets are under increasing pressure to become more flexible, innovative and open to the needs of investors and companies. Deutsche Börse, which runs the Frankfurt stock and futures exchanges, last week announced a strategy for full electronic trading and more new issues.

Mr Loehr said the promotion of share ownership would contribute to strengthening Germany's economy and financial markets.

He noted that Germany lagged behind other countries: its stock market capitalisation is only equivalent to a quarter of gross domestic product, against 70 per cent for Japan and the US and 125 per cent for the UK.

Only 5.4 per cent of Germans own shares compared with 21 per cent in the US, 17.5 per cent in Britain, 10 per cent in France and 35 per cent in Sweden.

Welsh utility tests Czech waters

Vincent Boland on an important foreign foray for a UK group

After 30 months of negotiations, Welsh Water is finally going Bohemian. The UK utility will announce today that it has taken a significant minority stake in the Czech Republic's biggest private-sector water and sewerage operator as it seeks to expand beyond the highly regulated British market.

Welsh Water International, the company's overseas division, is paying £7.25m ($11.53m) for 35.6 per cent of Severočeské vodovody a kanalizace (SCVK), making it the company's largest single investor. The deal has to be approved by the anti-monopoly ministry, but is unlikely to be rejected.

The acquisition is the first significant foreign venture into a highly decentralised and privatised industry, which is arguably mirroring the UK industry's adjustments to commercial and political realities.

"This is a practical and a strategic investment for us," says Mr Colin Rosser, managing director of Welsh Water International. "It is clearly the business we know best."

SCVK provides water and sewerage services to nearly 1.2m people in industrial northern Bohemia. It became a private company on October 1 1993, following the government's innovative coupon privatisation programme, in which Czech citizens exchanged vouchers for shares in state companies.

Last year, the company had turnover of Kc1.53bn ($58.4m) and reported pre-tax profits of Kc138m.

Privatisation divided the Czech water industry into "owners", mainly local authorities which own the distribution infrastructure, and operators, which provide the services. SCVK is an operating company, and has a 15-year contract with the local authorities to provide services to the region.

Welsh Water has bought 20 per cent of SCVK from the National Property Fund, the Czech state holding company, and a further 15.6 per cent from two domestic investment funds. Other funds, which have become influential shareholders in Czech industry following privatisation, own 38 per cent, but Welsh Water will clearly be in the driving seat.

It is expected to contribute management expertise and know-how to SCVK, taking two seats on its seven-member main board and one on a five-person supervisory board. It may also help to finance modernisation of the infrastructure through loans to the "owners" company, if the municipalities are unable to find cheaper alternative sources of funding.

Czech consumers have seen water prices soar since 1990 as a result of privatisation. For more than 40 years until 1989, the year of the Velvet Revolution that ousted communism, a cubic meter of water for domestic consumers cost 60 hellars (about 1.5p), aided by massive state subsidies.

It now costs just over Kc9 (22p), as companies seek to rebalance prices between domestic and industrial users, says Mr Karel Bahník, SCVK finance director.

Czech water prices are regulated by the finance ministry, which approves the structure of pricing, and by the local authorities, which set limits on margins. Mr Bahník favours adopting the UK system of regulation, which is tied to inflation, to the Czech Republic. Under the British model, he says, "you know better where you are going".

Prices are expected to rise further as subsidies are finally removed; Mr Bahník expects cross-subsidisation between domestic and industrial prices to be phased out by 1999. But the issue is likely to become more and more politically sensitive in the run-up to next year's general election, and operators may have difficulty justifying further big rises.

Welsh Water estimates that water prices as a percentage of family income cost about 1 per cent in the Czech Republic and 1.2 per cent in Wales. Though prices may have to rise, Mr Rosser says increases do not need to be substantial.

SCVK is one of the few Czech operators to have retained its large customer base after privatisation, making it attractive to outside investors. Much of the rest of the country is now serviced by dozens of smaller private operators, and consolidation is inevitable.

That could bring further opportunities: Mr Rosser believes the market is attractive. "It may well be we will look at other opportunities in the industry in the Czech Republic and the model may be mirrored elsewhere in central Europe," he says.

NEWS IN BRIEF

Thomson to extend its US interests

Thomson Corporation, the Canadian media and package holiday group, is extending its interests in financial services with the purchase of Institutional Shareholder Services of the US, a leading provider of proxy information to investing institutions, writes Tony Jackson in New York.

The Maryland-based ISS, founded in 1985, has become something of a focus for shareholder activism among US institutions. It specialises in analysing the proxy statements of corporations and alerting fund managers to matters affecting their interests. It claims to be the largest provider of proxy analysis and voting agent services to the institutional market.

Thomson will acquire ISS through a Maryland-based subsidiary, CDA Investment Technologies, which analyses the ownership of corporations and the performance of managed funds. Mr James Heard, president of ISS, said CDA's electronic distribution would allow ISS to provide new services more rapidly.

South African retail group lifts profits

Foschini, the South African clothing and jewellery retailing group, reported a 31 per cent increase in net income for the year to March, our Financial Staff writes.

The 52-week figure of R188.33m ($51m) compared with R143.77m for the previous 53 weeks, a total reduced to R129.94m by an extraordinary item largely related to goodwill and trademark costs following an acquisition. Turnover advanced 23.9 per cent to R1.78bn. Foschini controls Oceana Investments, which has a 38.2 per cent stake in Etam, the UK retailer.

Downturn for Austrian insurer

EA Generali, the leading Austrian insurance group, said consolidated net profit fell 10 per cent last year to Sch594.7m ($59.42m), writes Ian Rodger in Zurich.

The group, 79 per cent-owned by Assicurazione Generali of Trieste, nevertheless described the year as "successful", claiming it had gained market share in all the countries in which it operates: Austria, Germany, Hungary and the Czech Republic.

Gross premium income was up 7.6 per cent to Sch36.7bn and the underwriting loss fell 19 per cent to Sch1.28bn. Group net investment income eased 3 per cent to Sch8.28bn. Personnel costs rose 5.5 per cent to Sch5.23bn, reflecting the group's expansion in central and eastern Europe.

Acacia Resources raises A$47m

Acacia Resources, the gold mining and minerals group which was spun off as a separately-listed company by Shell Australia last year, raised A$46.8m (US$33.5m) via a placing of shares on Friday, writes Nikki Tait in Sydney.

The placing was handled by J. B. Were, the Australian stockbrokers, and involved 20m new shares sold at A$2.34 each. Acacia said the capital was being raised to "secure funding for planned developments, and provide the capacity for the company to pursue appropriate growth opportunities".

Acacia's main assets include a 39 per cent stake in the Boddington gold mine in Western Australia, the Union Reefs mine in the Northern Territory, and the Sunrise Dam project, also in WA.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, June 2, 1995 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5632.14	3540.00	2517.78	4207.77
Albania	(Lek)	166.896	104.900	74.6088	124.688
Algeria	(Dinar)	69.0336	43.3900	30.8608	51.5750
Andorra	(French Fr)	7.8711	4.9473	3.5187	5.8805
	(Sp Peseta)	193.625	121.700	86.5576	144.657
Angola	(New Kwanza)	3457616.2	2173237.5	1545688.1	2583189.7
Antigua	(E Carr $)	4.2957	2.7000	1.9203	3.2093
Argentina	(Peso)	1.5901	0.9995	0.7109	1.1880
Armenia	(Dram)	649.575o	408.470	290.519	485.522
Aruba	(Florin)	2.8479	1.7900	1.2731	2.1277
Australia	(Aus $)	2.2221	1.3967	0.9933	1.6601
Austria	(Schilling)	15.7287	9.8861	7.0314	11.7510
Azerbaijan	(Manat)	6992.44o	4395.00	3125.89	5224.06
Azores	(Port Escudo)	236.017	148.345	105.509	176.328
Bahamas	(Bahama $)	1.5910	1	0.7112	1.1886
Bahrain	(Dinar)	0.5998	0.3770	0.2681	0.4481
Balearic Is.	(Sp Peseta)	193.625	121.700	86.5576	144.657
Bangladesh	(Taka)	63.3218	39.8000	28.3073	47.3077
Barbados	(Barb $)	3.2000	2.0113	1.4305	2.3907
Belarus	(Rouble)	18296.5o	11500.0	8179.23	13669.3
Belgium	(Belg Fr)	45.8822	28.8260	20.5021	34.2636
Belize	(B $)	3.1820	2.0000	1.4225	2.3773
Benin	(CFA Fr)	787.110	494.730	351.871	588.054
Bermuda	(Bermudian $)	1.5910	1	0.7112	1.1886
Bhutan	(Ngultrum)	49.9893	31.4200	22.3471	37.3470
Bolivia	(Boliviano)	7.5891	4.7700	3.3926	5.6698
Botswana	(Pula)	4.4197	2.7778	1.9757	3.3018
Brazil	(Real)	1.4359	0.9025	0.6419	1.0727
Brunei	(Brunei $)	2.2123	1.3905	0.9890	1.6528
Bulgaria	(Lev)	105.598	66.3660	47.2020	78.8851
Burkina Faso	(CFA Fr)	787.110	494.730	351.871	588.054
Burma	(Kyat)	8.5841	5.3954	3.8374	6.4132
Burundi	(Burundi Fr)	373.964	235.050	167.176	279.389
Cambodia	(Riel)	3659.30	2300.00	1635.85	2733.86
Cameroon	(CFA Fr)	787.110	494.730	351.871	588.054
Canada	(Canadian $)	2.1903	1.3767	0.9792	1.6364
Canary Is	(Sp Peseta)	193.625	121.700	86.5576	144.657
Cp. Verde	(CV Escudo)	132.005	82.9700	59.0114	98.6212
Cayman Is	(CI $)	1.3177	0.8282	0.5891	0.9844
Cent. Afr. Rep	(CFA Fr)	787.110	494.730	351.871	588.054
Chad	(CFA Fr)	787.110	494.730	351.871	588.054
Chile	(Chilean Peso)	595.273	374.150	266.110	444.726
China	(Yuan)	13.2062	8.3018	5.9046	9.8676
Colombia	(Col Peso)	1392.44	875.200	622.475	1040.29
Comoros	(Fr)	591.529	371.797	264.438	441.932
Congo	(Brazz) (CFA Fr)	787.110	494.730	351.871	588.054
Costa Rica	(Colon)	281.845	177.150	125.996	210.567
Côte d'Ivoire	(CFA Fr)	787.110	494.730	351.871	588.054
Croatia	(Kuna)	8.2368	5.1771	3.6822	6.1537
Cuba	(Cuban Peso)	1.5910	1	0.7112	1.1886
Cyprus	(Cyprus £)	0.7083	0.4452	0.3167	0.5292
Czech Rep.	(Koruna)	41.7086	26.2160	18.6458	31.1613
Denmark	(Danish Krone)	8.7222	5.4822	3.8991	6.5163
Djibouti Rep	(Djib Fr)	282.752	177.720	126.401	211.245
Dominica	(E Carib $)	4.2957	2.7000	1.9203	3.2088
Dominican Rep	(D Peso)	22.1628	13.9300	9.9075	16.5577
Ecuador	(Sucre)	3870.90o	2433.00	1730.44	2891.95
	(Sucre)	3936.13m	2474.00	1759.60	2940.69
Egypt	(Egyptian £)	5.4425	3.4208	2.4330	4.0661
El Salvador	(Colon)	13.9313	8.7560	6.2233	10.4006
Equat'l Guinea	(CFA Fr)	787.110	494.730	351.871	588.054
Estonia	(Kroon)	18.1866	11.4303	8.1297	13.5865
Ethiopia	(Ethiopian Birr)	9.1801	5.7700	4.1038	6.8584
Falkland Is	(Falk £)	1	0.6285	0.4470	0.7471
Faroe Is	(Danish Krone)	8.7222	5.4822	3.8991	6.5163
Fiji Is	(Fiji $)	2.2130	1.3915	0.9897	1.6540
Finland	(Markka)	6.8579	4.3104	3.0657	5.1235
France	(Fr)	7.8711	4.9473	3.5187	5.8805
Fr. Cty/Africa	(CFA Fr)	787.110	494.730	351.871	588.054
Fr. Guiana	(Local Fr)	7.8711	4.9473	3.5187	5.8805
Fr. Pacific Is	(CFP Fr)	143.401	90.1326	64.1057	107.135
Gabon	(CFA Fr)	787.110	494.730	351.871	588.054
Gambia	(Dalasi)	15.1941	9.5500	6.7923	11.3515
Germany	(D-Mark)	2.2369	1.4060	1	1.6712
Ghana	(Cedi)	1821.69	1145.00	814.367	1360.99
Gibraltar	(Gib £)	1	0.6285	0.4470	0.7471
Greece	(Drachma)	359.073	225.690	160.519	268.263
Greenland	(Danish Krone)	8.7222	5.4822	3.8991	6.5163
Grenada	(E Carr $)	4.2957	2.7000	1.9203	3.2093
Guadaloupe	(Local Fr)	7.8711	4.9473	3.5187	5.8805
Guam	(US $)	1.5910	1	0.7112	1.1886
Guatemala	(Quetzal)	9.3104	5.8519	4.1621	6.9558
Guinea	(Fr)	1614.13	1014.54	721.579	1205.92
Guinea-Bissau	(Peso)	24452.1	15369.0	10931.0	18268.2
Guyana	(Guyanese $)	228.308	143.500	102.063	170.569
Haiti	(Gourde)	30.2290	19.0000	13.5135	22.5841
Honduras	(Lempira)	14.3190	9.0000	6.4011	10.6977
Hong Kong	(HK $)	12.3040	7.7335	5.5004	9.1923
Hungary	(Forint)	194.126	122.015	86.7817	145.032
Iceland	(Icelandic Krona)	102.205	64.2400	45.6899	76.3580
India	(Indian Rupee)	49.9893	31.4200	22.3471	37.3470
Indonesia	(Rupiah)	3541.57	2226.00	1583.21	2645.91
Iran	(Rial)	4773.00u(2)	3000.00	2133.71	3565.91
Iraq	(Iraqi Dinar)	0.9546	0.6000	0.4267	0.7132
Irish Rep	(Punt)	0.9773	0.6142	0.4369	0.7301
Israel	(Shekel)	4.7792	3.0039	2.1365	3.5705
Italy	(Lira)	2604.47	1637.00	1164.30	1945.80
Jamaica	(Jamaican $)	51.8666	32.6000	23.1864	38.7496
Japan	(Yen)	133.851	84.1300	59.8364	100
Jordan	(Jordanian Dinar)	1.1010	0.6920	0.4922	0.8225
Kenya	(Kenya Shilling)	84.3627	53.0250	37.7134	63.0275
Kiribati	(Australian $)	2.2221	1.3967	0.9933	1.6601
Korea North	(Won)	3.4207	2.1500	1.5292	2.5556
Korea South	(Won)	1211.94	761.750	541.785	905.444
Kuwait	(Kuwaiti Dinar)	0.4752	0.2987	0.2124	0.3550
Laos	(New Kip)	1159.84	729.000	518.492	866.516
Latvia	(Lats)	0.8164	0.5132	0.3650	0.6100
Lebanon	(Lebanese £)	2583.78	1624.00	1155.05	1930.35
Lesotho	(Maloti)	5.8474	3.6753	2.6140	4.3686
Liberia	(Liberian $)	1.5910	1	0.7112	1.1886
Libya	(Libyan Dinar)	0.5656	0.3555	0.2529	0.4225
Liechtenstein	(Swiss Fr)	1.8400	1.1565	0.8225	1.3747
Lithuania	(Litas)	6.3640	4.0000	2.8450	4.7546
Luxembourg	(Lux Fr)	45.8822	28.8260	20.5021	34.2636
Macao	(Pataca)	12.7100	7.9887	5.6819	9.4957
Madagascar	(MG Fr)	6284.45	3950.00	2809.39	4695.11
Madeira	(Port Escudo)	236.017	148.345	105.509	176.328
Malawi	(Kwacha)	24.3646	15.3140	10.8919	18.2028
Malaysia	(Ringgit)	3.9036	2.4535	1.7450	2.9163
Maldive Is	(Rufiya)	18.7261	11.7700	8.3713	13.9903
Mali Rep	(CFA Fr)	787.110	494.730	351.871	588.054
Malta	(Maltese Lira)	0.5530	0.3476	0.2472	0.4131
Martinique	(Local Fr)	7.8711	4.9473	3.5187	5.8805
Mauritania	(Ouguiya)	199.320	125.280	89.1038	148.912
Mauritius	(Maur Rupee)	27.7948	17.4700	12.4253	20.7655
Mexico	(Mexican Peso)	9.8324	6.1800	4.3954	7.3458
Miquelon	(Local Fr)	7.8711	4.9473	3.5187	5.8805
Moldova	(Leu)	7.2009	4.5260	3.2191	5.3798
Monaco	(French Fr)	7.8711	4.9473	3.5187	5.8805
Mongolia	(Tugrik)	674.584	424.000	301.565	503.982
Montserrat	(E Carr $)	4.2957	2.7000	1.9203	3.2093
Morocco	(Dirham)	13.3678	8.4022	5.9759	9.9871
Mozambique	(Metical)	11614.3	7300.00	5192.03	8677.05
Namibia	(S A Rand)	5.8474	3.6753	2.6140	4.3686
Nauru Is	(Australian $)	2.2221	1.3967	0.9933	1.6601
Nepal	(Nepalese Rupee)	80.1704	50.3900	35.8393	59.8954
Netherlands	(Guilder)	2.4971	1.5695	1.1163	1.8656
N'nd Antilles	(A/Guilder)	2.8479	1.7900	1.2731	2.1277
New Zealand	(NZ $)	2.3807	1.4963	1.0642	1.7786
Nicaragua	(Gold Cordoba)	11.8614	7.4553	5.3025	8.8617
Niger Rep	(CFA Fr)	787.110	494.730	351.871	588.054
Nigeria	(Naira)	35.0020o	22.0000	15.6472	26.1500
	(Naira)	131.656m	82.7500	58.8549	98.3597
Norway	(Nor. Krone)	9.9334	6.2435	4.4406	7.4213
Oman	(Rial Omani)	0.6125	0.3850	0.2738	0.4576
Pakistan	(Pak. Rupee)	49.2240	30.9390	22.0050	36.7752
Panama	(Balboa)	1.5910	1	0.7112	1.1886
Papua New Guinea	(Kina)	2.0399	1.2821	0.9119	1.5240
Paraguay	(Guarani)	3130.29	1967.50	1399.38	2338.64
Peru	(New Sol)	3.5734	2.2460	1.5974	2.6697
Philippines	(Peso)	41.1274	25.8500	18.3855	30.7263
Pitcairn Is	(£ Sterling)	1	0.6285	0.4470	0.7471
	(NZ $)	2.3807	1.4963	1.0642	1.7786
Poland	(Zloty)	3.7160	2.3350	1.6607	2.7755
Portugal	(Escudo)	236.017	148.345	105.509	176.328
Puerto Rico	(US $)	1.5910	1	0.7112	1.1886
Qatar	(Riyal)	5.7909	3.6398	2.5887	4.3264
Reunion Is. de la	(F Fr)	7.8711	4.9473	3.5187	5.8805
Romania	(Leu)	3085.74	1939.50	1379.45	2305.38
Russia ‡	(Rouble)	0.9875o	0.6207	0.4415	0.7378
	(Rouble)	7822.15m	4916.50	3496.80	5843.93
Rwanda	(Fr)	409.897	257.635	183.240	306.234
St Christopher	(E Carr $)	4.2957	2.7000	1.9203	3.2093
St Helena	(£)	1	0.6285	0.4470	0.7471
St Lucia	(E Carr $)	4.2957	2.7000	1.9203	3.2093
St Pierre	(French Fr)	7.8711	4.9473	3.5187	5.8805
St Vincent	(E Carr $)	4.2957	2.7000	1.9203	3.2093
San Marino	(Italian Lira)	2604.47	1637.00	1164.30	1945.80
Sao Tome	(Dobra)	2002.00	1258.33	894.972	1495.70
Saudi Arabia	(Riyal)	5.9674	3.7507	2.6676	4.4582
Senegal	(CFA Fr)	787.110	494.730	351.871	588.054
Seychelles	(Rupee)	7.3982	4.6500	3.3073	5.5272
Sierra Leone	(Leone)	946.644	595.000	423.186	707.239
Singapore	($)	2.2123	1.3905	0.9890	1.6528
Slovakia	(Koruna)	47.4118	29.8000	21.1948	35.4214
Slovenia	(Tolar)	185.654	116.690	82.9945	138.702
Solomon Is	($)	5.2751	3.3156	2.3582	3.9411
Somali Rep	(Shilling)	4168.42	2620.00	1863.44	3114.23
South Africa	(Rand)	5.8474	3.6753	2.6140	4.3686
Spain	(Peseta)	193.625	121.700	86.5576	144.657
Spanish Ports in N Africa	(Sp Peseta)	193.625	121.700	86.5576	144.657
Sri Lanka	(Rupee)	78.9464	49.6200	35.2916	58.9801
Sudan Rep	(Dinar)	83.5275	52.5000	37.3400	62.4034
Surinam	(Guilder)	666.629	419.000	298.009	498.039
Swaziland	(Lilangeni)	5.8474	3.6753	2.6140	4.3686
Sweden	(Krona)	11.5928	7.2865	5.1824	8.6610
Switzerland	(Fr)	1.8400	1.1565	0.8225	1.3747
Syria	(£)	66.2651	41.6500	29.6231	49.6067
Taiwan	($)	40.8903	25.7010	18.2795	30.5492
Tanzania	(Shilling)	894.141	562.000	399.716	668.014
Thailand	(Baht)	39.2023	24.6400	17.5249	29.2880
Togo Rep	(CFA Fr)	787.110	494.730	351.871	588.054
Tonga Is	(Pa'anga)	2.2221	1.3967	0.9933	1.6601
Trinidad/Tobago	($)	9.0727	5.7025	4.0558	6.7782
Tunisia	(Dinar)	1.4923	0.9380	0.6671	1.1149
Turkey	(Lira)	68532.3	43075.0	30636.8	51200.5
Turks & Caicos	(US $)	1.5910	1	0.7112	1.1886
Tuvalu	(Australian $)	2.2221	1.3967	0.9933	1.6601
Uganda	(New Shilling)	1503.49	945.000	672.120	1123.26
Ukraine	(Karbovanets)	229103.8	144000.0	102418.2	171163.7
U A E	(Dirham)	5.8432	3.6727	2.6122	4.3655
United Kingdom	(£)	1	0.6285	0.4470	0.7471
United States	(US $)	1.5910	1	0.7112	1.1886
Uruguay	(Peso Uruguayo)	9.7528	6.1300	4.3599	7.2864
Vanuatu	(Vatu)	176.124	110.700	78.7340	131.582
Vatican	(Lira)	2604.47	1637.00	1164.30	1945.80
Venezuela	(Bolivar)	270.128	169.785	120.758	201.813
Vietnam	(Dong)	17839.9	11213.0	7975.11	13328.2
Virgin Is-British	(US $)	1.5910	1	0.7112	1.1886
Virgin Is-US	(US $)	1.5910	1	0.7112	1.1886
Western Samoa	(Tala)	3.9303	2.4703	1.7570	2.9363
Yemen (Rep of)	(Rial)	79.9477o	50.2500	35.7397	59.7290
Yemen (Rep of)	(Rial)	222.740r	140.000	99.5733	166.409
Yugoslavia	(New Dinar) (1)	-	-	-	-
Zaire Rep	(Zaire)	5901.81	3709.50	2638.34	4409.25
Zambia	(Kwacha)	1376.21	865.000	615.221	1028.17
Zimbabwe	($)	13.4957	8.4825	6.0331	10.0826

Special Drawing Rights June 1 , 1995 Utd Kingdom £0.977077 Utd States $1.54799 Germany DM2.21861 Japan Y131.187 European Currency Unit Rates June 2 , 1995 Utd Kingdom £0.829680 Utd States $1.32359 Germany DM1.86826 Japan Y111.645

Abbreviations: (o) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate ; ‡ Russia applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Official fixed rate introduced on May 22.
Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4360/5.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times
Friday, June 2, 1995

U.S. $50,000,000
IBM Credit Corporation
Floating Rate Yen Linked Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given, that for the six months Interest Period from June 5, 1995 to December 4, 1995 the notes will carry an interest rate of 6.125% per annum. The amount payable on December 4, 1995 against Coupon No. 20 will be U.S. $309.65 per U.S. $10,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
June 5, 1995
CHASE

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
Sterling Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from May 31st, 1995 to August 31st, 1995, has been fixed at 6.8125 per cent. per annum.

On August 31st, 1995 interest of sterling 85.86 per sterling 5,000 nominal amount of the Notes, and interest of sterling 429.28 per sterling 25,000 nominal amount of the Notes, will be due against Coupon No. 43.

Swiss Bank Corporation
London
Reference Agent

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Bronwen Maddox

Triumph of particular over general

After weeks of trying to guess the level of the dollar's floor, some brokers have unsurprisingly revived theories of investment on the basis of sectors rather than countries.

Unfortunately the analyses do not present a convincing case. If anything, they suggest the opposite: the importance of local factors rather than global ones in determining the performance of stocks.

Sectoral investment strategies go hand in hand with arguments that industries are becoming more global. Goldman Sachs, the broking house, has made a painstaking analysis of this theory; it devotes much of its latest volume on portfolio strategy to a study of whether the same sectors in different stock markets move "sympathetically".

The calculation tries to allow for the degree to which the overall country indices tend to move together. In a handful of sectors in the US, UK, German and Japanese markets, Goldman discerns a close relationship since the late 1970s, with the US leading the way.

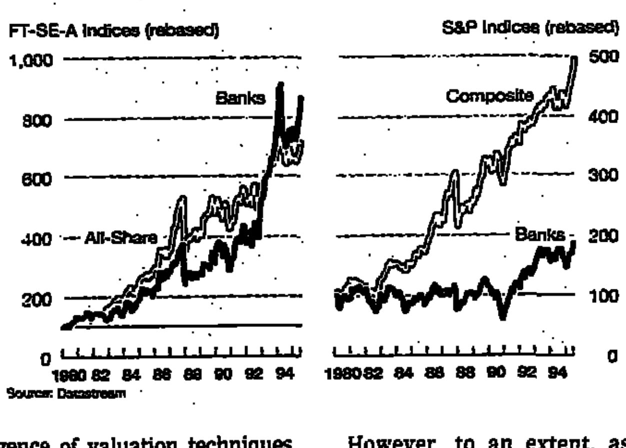
The investment conclusion it draws from these patterns, albeit tentatively, is that investors can use the performance of US stocks in its selected "global" sectors as a lead indicator on whether to buy or sell similar ones in Japan and Europe.

The report finds only three "truly global" sectors: chemicals, pharmaceuticals and food producers. As it points out, there are good reasons why stocks in these sectors should move in tandem. In the commodity end of the chemicals business, prices are increasingly set on an international rather than national basis. Commodity chemical products are dollar-denominated, while Europe essentially operates as a single D-Mark denominated market.

In food, too, companies in different countries face similar costs for raw commodities. Companies in these sectors also follow similar cycles of investment and level of capacity use.

The research raises an interesting question, one which it is not equipped to answer: whether the similar behaviour of stocks in different markets owes something to the convergence of valuation techniques. As Goldman points out, techniques in valuing brands in the balance sheet in both food and pharmaceuticals have become much more standardised. There are other examples: the valuation of cable companies on the UK market owes much – possibly too much – to the cash flow generation demonstrated on the other side of the Atlantic.

UK Banks



Source: Datastream

However, to an extent, as Goldman Sachs acknowledges, the patterns it observes simply reflect the last decade's cross-border takeovers, such as Rowntree and RJR Nabisco. In the case of pharmaceuticals, the industry worldwide is now dominated by a handful of multinational companies.

Companies based in different countries are not just performing in similar ways: they are the same companies, or have near-identical geographical reach and portfolios of products.

But in that case, the use of these patterns in investment is less clear. It is hard to use the performance of US companies as the basis for investment strategy elsewhere in the world. Awkwardly, investors cannot isolate the currency risk in multinational stocks, but must rely on corporate treasurers to make the right hedges.

The more surprising aspect of the report is how little correlation is revealed over long stretches of time in sectors where close correlation might be expected.

For example, banks and insurance, described as "newly global sectors", show very little correlation, apart from the past few years. That is true even comparing banks and insurance in the UK and US, where there are similarities.

Similarly, telecoms shows less than might be expected, given the similarity in growth of telephone traffic and the improvements in technology common to the countries studied. Goldman points out, however, that comparison is hindered by the short stock market history of the US Baby Bells, the UK's British Telecom and Japan's NTT.

The implication of the study, contrary to its authors' apparent intentions, is that local factors outweigh global trends in determining stocks' performance.

Analysts of bank stocks may feel they need little reminding of that conclusion, given the damage which one-off trading losses have caused to bank profits in the last year. After losses incurred in derivatives, in particular, it is legitimate to ask whether banks can still be valued accurately.

Banks have been pushed into derivatives by competition in offering traditional loans. According to a widely held view, the trend behind the one-off losses is that banks' margins and role in the economy are steadily being squeezed.

However, a recent paper published by the Massachusetts-based National Bureau of Economic Research challenges that view, and also suggests that concern about an explosion in the use of derivatives may be overstated.

The authors, John Boyd and Mark Gertler, argue that derivatives form only part of the increase in off-balance-sheet activity between 1985 and 1992. The remainder is made up of facilities such as back-up lines of credit or guarantees, or packaging loans for resale, which do not involve traditional provision of loans.

By traditional measures, such as use of assets, banks' role in the economy has undeniably been shrinking for two decades, the authors acknowledge.

However, they argue that if these new forms of off-balance sheet activities are fully taken into account, then US banks' role as financial intermediaries has not diminished compared with gross domestic product. There is no need, they say, to conclude that banking is dying.

Total return in local currency to 1/6/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.12	0.03	0.09	0.14	0.20	0.11
Month	0.51	0.11	0.38	0.69	0.88	0.56
Year	5.56	2.50	5.06	5.71	8.00	6.06
Bonds 3-5 year						
Week	0.98	1.11	0.61	0.19	0.30	0.43
Month	3.61	3.06	2.22	2.10	2.42	3.33
Year	10.13	9.78	9.61	7.17	6.36	12.13
Bonds 7-10 year						
Week	1.39	1.41	0.51	0.10	0.40	0.56
Month	5.80	4.43	3.19	3.48	4.47	4.70
Year	13.63	12.81	11.16	8.42	3.11	16.38
Equities						
Week	1.0	-0.4	0.2	-0.1	0.6	0.5
Month	4.0	-5.0	4.5	3.0	-2.8	4.2
Year	20.3	-24.4	-0.7	3.2	-10.0	17.6

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities: The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

COMMODITIES / Richard Mooney

Voisey Bay show hits London

The Voisey Bay road show comes to London today. Institutional investors, journalists and others wanting to know more about what is being hailed as North America's biggest base metals discovery in several decades will get their chance at a presentation on the nickel, copper and cobalt deposit.

Fronting the presentation will be geologist Roger Morton and Yorkton Securities analyst Douglas Leishman.

The deposit, in Labrador, Canada, was discovered by Diamond Fields Resources, a small exploration company controlled by entrepreneur Robert Friedland.

According to Yorkton analysts: "The grade and tonnage potential of the Voisey Bay deposit is greater than virtually all of the currently mined nickel sulphide deposits in the world. . . Its geometry and proximity to the surface combined with the location close to deep tidewater will likely ensure that it is developed into *a mine*."

Three drilling rigs working round the clock have drilled over 80 holes and samples from at least 45 of them have been analysed.

John Lydall, analyst at First Marathon Securities, estimated last month that, based on results to date, the deposit had the potential to produce between 60m and 100m lb of nickel a year, equal to between 4 and 6 per cent of western world demand in 1994.

● Other events this week include three-day meetings beginning on Wednesday in London of the International Cocoa Organisation's executive and consumption committees. Beginning on Thursday in Hamburg is a two-day seminar organised by Germany's coffee industry association and soluble coffee association. Discussions will concentrate on green coffee market and consumption trends, logistics and the outlook for the eastern European coffee market. In Toronto on Thursday the Society of Financial Analysts will issue its first commodities forecasts, covering gold, base metals and mines.

Economics Notebook / Robert Chote

Fleshing out the trade debate

The prospect *of flourishing* trade between the industrialised north and the developing south has long inspired anxiety. In the 1950s and 1960s the south worried that competition from the north would hamper its industrialisation. Now in the 1990s the north fears that low-wage competition from the south is threatening its jobs and incomes.

Low-wage competition is often blamed for the trend towards inequality and unemployment in the industrialised world, with the populist assault on the North American Free Trade Agreement in the US a case in point. But there is another vociferous camp of economists and policymakers who deny international trade is responsible for these trends and who accuse its opponents of promoting inefficiency by trying to protect vested interests.

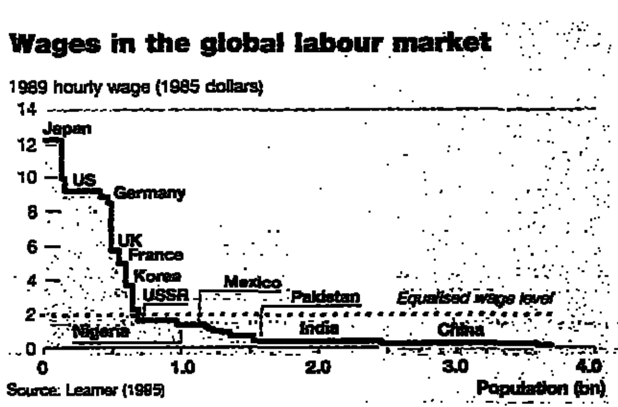
Alas, the theoretical and empirical contributions to the "trade and wages" controversy in recent years have failed to resolve the issue decisively one way or the other.

Northerners seeking justification for their concerns point to the so-called "Heckscher-Ohlin" model, a theoretical *approach which dominated* analysis of trade for much of the post-war period – and which has often been used to extol the virtues of free trade.

This suggests that there is scope for mutually advantageous trade between the north and south because they have different relative endowments of labour and capital. The south exports labour-intensive goods to the north and the north exports capital-intensive goods to the south.

But just because trade is mutually advantageous, this does not imply that everyone in both north and south ends up a winner. The theory suggests that one by-product of trade to will be a tendency for the wages of economically indistinguishable workers to fall in the north and rise in the south until they are equalised. Reducing tariffs and pulling down trade barriers simply accelerates the process.

Wages in the global labour market



Source: Leamer (1995)

The graphic illustrates why a tendency towards global equalisation of wages is such an unappealing prospect to workers in the north. If there were no change in the total value of global labour costs, *wages in the US and Germany* would eventually shrink by three quarters. Wages in the poorest nations would meanwhile rise substantially.

But the Heckscher-Ohlin theorem has now been on the defensive for some years, challenged by "new trade theory". Critics object that the conclusions of the Heckscher-Ohlin model depend on unrealistic simplifications of real-world circumstances.

They point out that the theory has difficulty explaining why the volume of world trade is not higher, why so much two-way trade takes place between companies in the same industry, and why the link between the sorts of things countries export and the resources with which they are endowed is not closer.

Even a self-confessed "Heckscher-Ohlin kind of guy" like Professor Ed Leamer of the University of California at Los Angeles says there are good reasons to doubt that free trade will pull wages down sharply in the north*.

First, trade promotes specialisation, which should boost efficiency and raise world output *and labour earnings too*. (The idea that specialisation allows costs to be reduced by carrying out production on a larger scale is central to the "new trade theory".) Second, high wages in the north are partly a return on investment in better education and training. Third, if trade involves improved technology being transferred to the south, then wages can rise there without falling in the north.

More sophisticated variants of the Heckscher-Ohlin model also suggest that high-wage countries can protect even their least skilled workers from the pressure for wage equalisation as long as there is enough capital for them to produce a sufficiently capital-intensive mix of outputs.

Amid these theoretical complexities it is obviously desirable to look at what lessons can be learned from the available real-world evidence.

Two Belgian economists have tried to put empirical flesh on the bones of the trade debate in a paper published recently by the Catholic University of Leuven**. They examined company accounts and survey responses from 274 UK companies in the late 1980s, a period during which 70 per cent reported that they were facing more foreign competition.

Their study concluded that foreign competition had no discernible impact on wage levels, a finding difficult to square with either the traditional or new trade theories. They did, however, find that foreign competition had a detrimental effect on employment, a conclusion at odds with traditional trade theory but on which new trade theory has nothing clear to say.

But the employment effects were far from uniform. Where companies had unionised workforces, job losses were much less significant than in the non-unionised sector. This suggests that labour is well aware of a threat from foreign competition and ready to respond. *What is less clear is* whether it is really in the union's interest to protect employment if it results in efficiency losses which imperil the employer's long-term chances of survival in a more competitive global market.

**The Heckscher-Ohlin Model In Theory and Practice, by Edward Leamer, Princeton Studies in International Finance, 1995.*

***How Does Increased Foreign Competition Affect UK Employment and Wages, by Jozef Konings and Hylke Vandenbussche, Leuven Institute for Central and East European Studies, Catholic University of Leuven, 1995.*

LEGAL NOTICES

In The High Court of Justice No. 002156 of 1995
Chancery Division, Companies Court
IN THE MATTER OF
BADGERLINE GROUP PLC
AND
IN THE MATTER OF
THE COMPANIES ACT, 1985

NOTICE IS HEREBY GIVEN that a Petition was on Friday 12th May 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £9,000,000.00 to £2,665,640.35

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 14th day of June 1995

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 31st day of May 1995

Burges Salmon
Narrow Quay House, Prince Street,
Bristol BS1 4AH
Ref: SRB/RAB
Solicitors to the Company

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

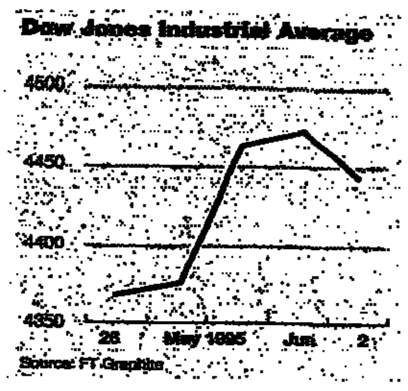
NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 2 1995								THURSDAY JUNE 1 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (83)	165.26	-3.7	154.00	87.89	120.81	153.51	4.3	4.09	166.12	154.80	89.36	122.93	154.69	180.82	157.95	174.65
Austria (26)	197.90	8.3	184.41	105.24	144.66	144.47	-1.8	1.23	194.25	181.01	104.49	143.74	143.55	198.89	167.46	173.19
Belgium (35)	196.57	18.7	183.16	104.53	143.68	138.74	5.7	3.74	194.37	181.12	104.56	143.83	139.73	201.12	161.66	168.60
Brazil (28)	143.24	-12.2	133.47	76.17	104.70	237.95	-8.5	1.40	136.34	127.05	73.34	100.89	227.50	-	-	-
Canada (102)	140.66	8.7	131.07	74.80	102.82	140.22	8.7	2.52	141.10	131.47	75.90	104.40	140.40	141.62	120.54	130.22
Denmark (33)	282.56	12.2	263.29	150.26	206.54	210.68	1.1	1.50	279.35	260.30	150.27	206.70	211.04	287.44	236.61	248.21
Finland (24)	212.80	14.4	198.29	113.17	155.55	192.50	4.1	1.61	210.47	196.12	113.22	155.74	192.54	214.66	133.88	145.21
France (101)	187.26	14.5	174.49	99.58	136.88	145.32	6.1	3.04	184.61	172.02	99.31	136.60	144.78	191.17	157.79	165.51
Germany (59)	157.69	10.0	146.93	83.86	115.26	115.26	-0.2	2.06	154.85	144.29	83.30	114.58	114.58	157.69	132.08	136.91
Hong Kong (55)	374.86	14.9	349.30	199.35	274.01	372.19	14.9	3.66	374.28	348.76	201.34	276.96	371.74	416.42	277.40	377.37
Ireland (16)	230.53	11.8	214.81	122.59	168.51	199.51	8.0	3.58	228.69	213.09	123.02	169.22	198.49	230.53	180.67	181.31
Italy (58)	75.32	0.0	70.19	40.06	55.06	92.09	0.9	1.76	74.80	69.70	40.24	55.35	92.14	89.22	65.45	87.05
Japan (483)	153.60	-2.1	143.13	81.68	112.28	81.68	-17.5	0.82	149.77	139.56	80.56	110.82	80.56	170.10	136.95	161.48
Malaysia (97)	557.57	16.3	519.55	296.52	407.57	526.66	11.8	1.65	554.47	516.67	298.27	410.30	525.64	594.76	398.16	443.90
Mexico (18)	971.95	-31.4	905.67	516.88	710.46	6567.37	-13.9	2.04	960.31	894.82	516.58	710.58	6525.46	2414.12	647.81	2097.74
Netherland (19)	251.00	15.7	233.88	133.48	183.47	179.80	4.7	3.51	248.72	231.76	133.80	184.05	180.47	252.34	194.56	198.37
New Zealand (14)	82.54	17.2	76.92	43.90	60.34	65.59	12.2	4.56	81.19	75.65	43.67	60.08	65.16	84.31	64.00	70.65
Norway (33)	222.58	4.4	207.40	118.37	162.70	188.62	-3.6	2.24	221.17	206.08	118.97	163.65	189.56	230.07	177.53	191.74
Singapore (44)	410.10	9.9	382.13	218.09	299.77	262.78	4.8	1.64	410.58	382.59	220.87	303.82	263.19	410.58	313.94	341.78
South Africa (61)	346.54	2.9	322.90	184.29	253.30	278.36	-7.2	2.48	343.13	319.73	184.58	253.90	276.34	363.22	261.43	265.80
Spain (38)	148.30	12.4	138.19	78.67	108.40	136.73	3.9	4.13	146.07	136.11	78.57	108.08	136.48	151.79	124.10	142.83
Sweden (46)	263.65	14.1	245.67	140.21	192.72	284.39	11.8	2.10	261.10	243.30	140.46	193.21	283.80	263.65	196.70	216.57
Switzerland (46)	198.63	20.2	185.09	105.63	145.19	142.42	6.3	1.80	196.12	182.74	105.50	145.12	142.80	198.86	155.05	159.14
Thailand (46)	174.91	10.6	162.98	93.02	127.86	167.27	8.5	2.61	173.40	161.57	93.28	128.31	166.19	-	-	-
United Kingdom (203)	215.84	10.8	201.12	114.79	157.78	201.12	8.8	4.15	215.59	200.89	115.97	159.53	200.89	216.25	181.11	184.50
USA (506)	217.89	16.1	203.03	115.87	159.27	217.89	16.1	2.84	218.24	203.35	117.40	161.49	218.24	218.24	180.56	186.61
Americas (654)	199.74	14.7	186.11	106.22	146.00	187.54	14.9	2.62	199.94	186.30	107.56	147.94	187.71	-	-	-
Europe (739)	189.52	12.2	176.60	100.79	138.53	159.35	5.8	3.12	187.86	175.05	101.05	139.01	159.14	189.52	160.69	163.95
Nordic (138)	253.40	12.9	236.12	134.76	185.23	225.59	7.1	1.93	250.92	233.81	134.98	185.67	225.54	253.40	197.70	205.91
Pacific Basin (822)	163.60	-0.4	152.44	87.00	119.59	93.21	-13.6	1.29	160.17	149.25	86.16	118.52	92.16	176.86	145.93	169.24
Euro-Pacific (1561)	174.30	4.9	162.41	92.69	127.41	117.95	-5.5	2.12	171.61	159.90	92.31	126.98	117.15	178.33	154.73	166.89
North America (608)	213.10	15.7	198.57	113.33	155.77	212.63	15.6	2.64	213.46	198.90	114.83	157.95	212.97	213.47	176.83	183.11
Europe Ex. UK (536)	170.97	13.0	159.31	90.92	124.97	135.68	4.0	2.55	168.74	157.23	90.77	124.86	135.49	171.03	144.12	149.01
Pacific Ex. Japan (339)	259.91	9.1	242.19	138.22	189.99	229.02	9.9	3.10	258.61	241.91	139.65	192.10	229.20	273.13	211.18	246.47
World Ex. US (1770)	174.87	4.5	162.95	93.00	127.82	121.52	-5.4	2.13	172.24	160.49	92.65	127.45	120.70	178.73	155.42	168.04
World Ex. UK (2073)	185.08	8.3	172.46	98.42	135.29	144.57	1.1	2.12	183.27	170.78	98.59	135.61	144.00	187.07	163.46	172.07
World Ex. Japan (1793)	207.65	13.1	193.49	110.43	151.78	193.34	10.6	2.84	207.03	192.91	111.37	153.19	193.35	207.65	176.74	181.60
The World Index (2276)	187.78	8.5	174.97	99.86	137.26	149.45	1.9	2.32	186.10	173.41	100.11	137.71	148.90	189.27	165.92	173.19

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 128.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 184.07 (Pound Sterling) and 149.94 (Local). Constituent changes during the week ending 2/6/95: Addition: Darden Restaurants (USA) (Medium-Small Cap index). Deletion, Clark Equipment (USA). Name changes: Bowater to REXAM (UK) and Federal Industries to Russel Metals (Canada).

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Wall Street steady on rate cut optimism



Given the stunningly weak jobs figures released last week, stock market investors held remarkably steady. The Standard & Poor's 500 shed just 0.2 per cent and the Dow Jones Industrial Average 0.6 per cent in the face of figures that suggested the economy is growing much more slowly than most economists had thought.

Still, stocks got some support from renewed speculation that the Federal Reserve could lower interest rates as soon as next month, allowing the benefits of cheaper corporate borrowing to offset the effects of a weak economy.

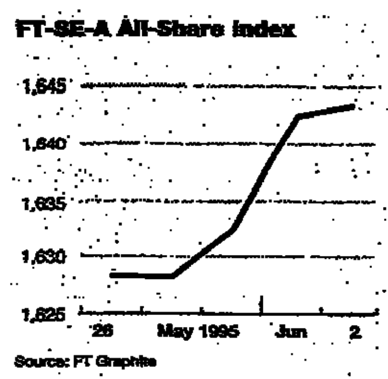
This week may be another bumpy one as investors try to figure out how to react to opposing forces. They are not going to get much help from economic data. The most important figure of the week is the producer price index, which is not due until Friday.

Investors will be watching for signs that inflation, which has picked up to an annualised rate of 3.6 per cent so far this year, is easing enough to allow the Fed to loosen monetary policy. Economists expect producer prices to show a 0.3 per cent increase for May, against April's 0.5 per cent rise.

Today brings the release of data on April home completions, which economists at MMS International believe will have fallen to 1.37m from 1.43m in March. Also important will be Wednesday's release of information on April consumer credit, which economists at MMS believe will drop to $8.5bn from $13.8bn in March.

LONDON — Philip Coggan

Keeping a weather eye on the US



The outlook for interest rates on both sides of the Atlantic is likely to the dominant factor on sentiment in the London stock market this week.

Mr Kenneth Clarke, the chancellor of the exchequer, meets Mr Eddie George, the governor of the Bank of England, on Wednesday. After a run of weak UK economic data, Mr Clarke is generally expected to stick to his view that UK rates should not be increased. After the Bank of England's inflation report, however, Mr George might well press for an increase.

The markets evidently expect Mr Clarke to win the day. Short sterling futures, the market's vehicle for speculating on rate changes, does not signal a rise in base rates from the current 6.75 per cent before the end of September.

Data on manufacturing output and industrial production in April, which could give a clue to the strength of the UK economy, will not be released until Thursday, after Mr George and Mr Clarke meet. In the current market mood, the weaker the data, the better.

The London market has been heavily influenced by Wall Street in recent weeks, however, and traders will be keeping a weather eye on the US.

Friday's employment data raised fears that the US might be heading into recession, but also increased hopes that the Federal Reserve might lower interest rates. One regional US bank reduced its prime rate in response to the news.

OTHER MARKETS

AMSTERDAM

KLM, the flagship airline whose pilots staged their first strike since 1958 on May 30, is scheduled to produce annual results on Friday. The strike, which disrupted 53 flights from Amsterdam's Schiphol airport, was expected to cost KLM between Fl 10m and Fl 15m. In the meantime, UBS expects net profits for last year to have quadrupled, rising from Fl 103m to Fl 410m.

FRANKFURT

The run of German corporate results press conferences has been tailing off but Thyssen, the big steel group, is listed for a DVFA analysts' meeting tomorrow. Analysts say that with the industry running at full speed, they will be looking for news of price increases and the same would be true of Continental, the tyre company, which holds its annual general meeting on Wednesday.

Mr Adrian Phillips, who heads the German team at Kleinwort Benson, says he will also be interested in any further news of potential family disposals of Thyssen stock.

Rumours were denied on this score earlier this year, but they have resurfaced in Hamburg, where a magazine has suggested that 8 per cent of the shares could be up for sale.

OSLO

Vital, Norway's second biggest life insurer and the target of competing takeover bids from Den norske Bank at home, and from its Dutch counterpart, Aegon, treated investors to a 10-year results prognosis towards the end of last week. The DnB bid expires next Thursday.

On the same day, Orkla, the conglomerate, reports for the first four months of 1995, and more than doubled net profits are expected after significant cost reductions at both the beverage and media divisions.

ZURICH

Zurich Insurance, which helped lift the market with its forecast of continued profits growth last week, hosts a presentation to analysts on Tuesday on the results for 1994 and the outlook for 1995.

Mr Silvan Zuelle, banking analyst at Bank Sal Oppenheim in Zurich, hopes it will also produce new information on its acquisition policy following the bid for Kemper of the US.

So far, he says, Zurich is strong in industrial insurance and reinsurance in the US, and Kemper would bring in two life companies. More importantly, it would graft a fourth leg on to the group's structure, adding institutional asset management and mutual funds business to the existing insurance tripod of life, non-life and reinsurance.

HELSINKI

Some of Finland's big export groups will put memories of the country's deep 1991–93 recession further behind them this week, when they report results for the first four months of 1995, *writes Christopher Brown-Humes*. In most cases the figures will be excellent, due to buoyant markets, hefty restructuring and lower debt loads.

Valmet, one of the world's biggest makers of paper machinery, opens the season today, with analysts looking for a swing of around FM300m into the black after last year's FM226m loss.

Wednesday brings reports from Outokumpu, the mining group, and Huhtamaki, the consumer products group. The latter could be an exception to the generally buoyant trend, with profits likely to sink under the impact of product launches and the effects of strikes in the North American baseball league on collectible sports card sales.

On Thursday it is the turn of Amer, the world's second largest manufacturer of sporting goods, while Kone, the lifts group, rounds off the week on Friday with figures showing the first significant impact of the group's acquisition of Montgomery in the US last year.

The one cloud on the horizon for Finnish exporters is the strengthening markka, although the real impact from this will not be felt until later in the year.

HONG KONG

Brokers say there is sufficient momentum to chase Hong Kong stock prices higher this week, *writes Louise Lucas*.

Last week, foreign funds pushed the Hang Seng index to 9,559.74 on Thursday, its highest level in seven months. The exchange was closed on Friday for a local holiday.

In the colony, a belief that interest rates in the US – and therefore Hong Kong, where the currency is pegged to the US dollar – have peaked has helped fuel the current rally. Brokers now reckon that the index can reach 10,000 before the year-end, although some consolidation could set in the not too distant future.

TOKYO

Share prices managed to finish higher last week, thanks to comments by Mr Masayoshi Takemura, the finance minister, over the possibility of the use of public funds to solve the bad loan problems of the country's financial industry, *writes Emiko Terazono*.

Considering that mounting worries over the health of the banking system have been at the root of the Tokyo stock market's slump, the rise was far from surprising. What worried some investors was that the rebound in share values had been limited by profit-taking.

This week, the attention of market participants will be focused on the package aimed at accelerating the disposal of problem loans, to be announced by the ministry of finance this week.

Over the past few years investors have been disappointed by the government's various measures to shore up the stock market and the economy.

Compiled by William Cochrane

International offerings

Portugal Telecom success underlines positive mood

The recent improvement in investor sentiment towards international equity issues was confirmed by last week's successful placement of three big initial public offerings, in Portugal, the Netherlands and Sweden.

In spite of Friday's market turbulence, triggered by weaker than expected US jobs data, the mood in the primary sector remains positive, underpinned by hopes of continued slow, non-inflationary economic growth. And while the US data seemed to indicate a sharper than anticipated slowdown, that doesn't necessarily spell the end of strong corporate earnings, some say.

"This is more of a growth pause before we move on," said Mr Peter Chambers, chief investment strategist at James Capel. "Adjusting for the cycle, we still think equities are the right asset class to be in."

The success of last week's $982m global offer of shares in Portugal Telecom highlights the continuing recovery in emerging markets, and was widely seen as an encouragement for other telecom sales and a rite of passage for Portugal's privatisation programme.

"Sentiment for emerging markets is definitely turning," said Mr Paulo de Araujo, emerging markets director at Schroders. "The Repsol issue in Spain was the first evidence and the Portugal Telecom offer has provided further proof that investors are feeling more positive."

Response to the offering was strong: demand for the institutional tranche was 5.5 times higher than the 22.5m shares on offer, and the retail tranche of 27.5m shares satisfied less than half the orders placed.

Mr Mark Maybell, head of the telecommunications group at global co-ordinator Merrill Lynch, said investors were attracted by a company with a monopoly and a higher growth rate than other European telephone operators. They also welcomed the opportunity to diversify their holdings geographically.

The timing of the offer was also propitious, both in terms of overall market sentiment and Portugal's early move in what is expected to be a long line of telecom privatisations over the next two years.

One of the conclusions future issuers of telecoms stock may draw from Portugal Telecom is that misgivings over retail offers were unfounded. "The success of this issue helps demonstrate the advantages of allowing retail investors to participate," said Mr Maybell.

Portugal Telecom now has 56,083 shareholders, including 276 foreign investors. Orders were placed by almost 77,000 subscribers and were sufficient to have bought 31 per cent of the company. Demand for the discounted tranche reserved for small savers was 2.1 times higher than the 6.2m shares on offer.

Portugal Telecom has marked a coming of age for Portugal's privatisation programme after its faltering start in July 1994 with the sale of 20 per cent of Cimpor, a cement producer. Cimpor had hoped to attract strong interest from overseas, but foreign investors bought only 32 per cent, although international banks had underwritten 47 per cent.

The main problem was the government's decision to fix the price by decree almost two months before the sale. The market dropped 15 per cent in the interim and investors lost interest.

The success of Portugal Telecom underlines the advantage of setting a price at the time of the sale based on demand from investors expressed through a book-building operation, dealers said.

A key test of the overall success of the Portugal Telecom operation will be how well the shares fare in the secondary market. More than 1.5m shares were traded in less than two hours on the Lisbon stock exchange on Friday. They hit a high of Es3,010 and closed at Es2,900, up 3.57 per cent on the offer price of Es2,800. Merrill Lynch says the offer was priced with aim of a 10 per cent price increase in the first few days of after-market trading.

The issue provides a positive backdrop for a global offer of 40 per cent of Portucel-Industrial, Portugal's leading pulp producer, due in June or July. Last week the government set a price range of Es920 to Es1,210, widely deemed as realistic.

In the Netherlands, a 30m-share IPO for retailer Vendex International met with even stronger demand, with the total offer some nine times subscribed.

The shares were priced on Thursday at Fl 39 a share, near the top of the indicated Fl 36 to Fl 40 range, raising Fl 1.2bn. Some 60 per cent of the offering was allocated to investors in the Netherlands, and 40 per cent was placed internationally, said global co-ordinator ABN Amro.

Many investors were said to have been attracted by the company's turnround story, where a period of ambitious diversification in the 1970s and 1980s was followed in recent years by a period of restructuring.

In addition, the shares were seen to have been priced to clear. "The pricing was not very aggressive and, at that level, the shares offer pretty good value," said a dealer at another house. The shares traded up on the day of pricing to a high of Fl 42 and closed at Fl 41.20 on Friday.

In Sweden, Swedbank raised SKr3.5bn in an international IPO that was more than three times subscribed. Investors were attracted by the quality of the issuer: it is the largest Nordic bank in terms of asset value, has attractive valuation against other Nordic and European banks, and is buoyant in Sweden's banking sector.

The price for Swedbank savers and retail buyers was SKr53.94 a share, and for institutional buyers SKr58 – the top of the SKr51 to SKr58 range. Some 250 institutional investors took 23m shares, of which 15m went to international investors. The sale was arranged by Alfred Berg Fondkommission, J. P. Morgan and Swedbank Markets.

Conner Middelmann and Peter Wise

EMERGING MARKETS: This Week

The Emerging Investor / Joel Kibazo

African exchanges pause to take a breath

Stock markets in Africa south of the Sahara have been pausing for breath in 1995 having been one of last year's best performers in the emerging markets sector.

Gains on the region's 12 bourses not only led some analysts to expect an even better performance in 1995, but the more bullish among them even forecast that the region would provide some of the best returns for the rest of the decade.

However, there is now a feeling that such optimism was misplaced. Ms Elizabeth Morrissey, managing partner at Kleiman International consultants in Washington believes "there was a lot more talk and hype about Africa last year than action. There were a lot of road trips to Africa by investors but I don't think a lot of cash went in. Yes, there was investment in Africa, but in the main I think the markets were pushed up by local investors anticipating an inflow of funds from foreign investors."

That anticipation certainly sent the markets soaring and the gains looked impressive. According to Morgan Grenfell, the UK broker, for the year to mid-December the Nairobi stock exchange showed a 107.5 per cent gain in dollar terms, while Ghana rose by a 65.3 per cent.

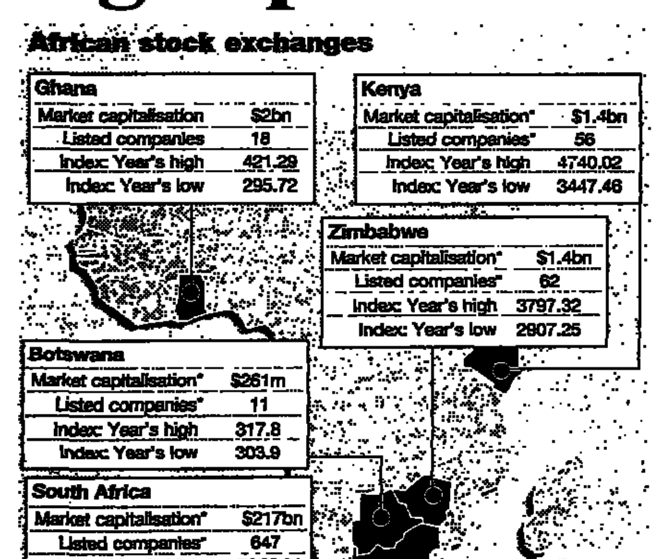
Sharp gains were also recorded in Zimbabwe and South Africa, though the advance in the Botswana market was a more modest, though still healthy, 7.4 per cent.

There was little to suggest the bull run would not continue into this year, but six months on the performance in the region's bourses has fallen well short of expectations.

Morgan Grenfell notes that in the year to mid-May 1995, Zimbabwe's Harare stock market rose by just 0.7 per cent in dollar terms. Botswana showed a decline of 2.3 per cent while Ghana fell by 3.5 per cent. The largest decline was seen in Kenya, last year's best performer, where the market fell 36 per cent. Only South Africa, the world's biggest emerging market, could register a firm gain, rising 11.8 per cent.

In each market it was falls since January 1995 that brought the year-on-year decline. Several reasons are cited for the retreat. Mr Kofi Bucknor, executive director for Africa at Lehman Brothers, the US investment bank, says: "I think there was a lack of follow through on the previous moves and now I think we have entered into a consolidation phase. Investors are adopting a wait and see attitude."

Ms Morrissey agrees that profit-taking partly explains this year's performance. But she also attributes the decline to a more cautious mood overall towards emerging markets after the sharp fall in the Latin American sector following the Mexican financial crisis last December.



Many analysts point to Kenya as such an example. A ban on international investors on the Nairobi stock exchange was only lifted in January and the market surged in December ahead of the rule change. But analysts say this, along with the then strong Kenyan shilling, made the market particularly expensive for the very clients it had hoped to attract. Poor results from several companies was another reason for the decline.

Other markets have also been the subject of particular local difficulties. In Ghana, worries about a worse than expected economic performance last year were coupled with concerns on inflation, estimated at about 30 per cent against a government target of about 18 per cent. The depreciation of the local currency, the Cedi, was also a factor in the decline of foreign interest.

In Zimbabwe, uncertainity about future government policies following April's general election, continued high inflation at about 21 per cent, in part fuelled by fears of a drought, high interest rates, the introduction of new taxes and, according to one analyst, the withdrawal of "one hedge fund in the wake of Mexico" led to the less than sparkling performance.

South Africa has been partly blamed for the decline seen in other markets. The Johannesburg stock exchange was part of the retreat seen in emerging markets in January. However, it soon recovered, boosted by its inclusion from April in the Morgan Stanley, IFC and Baring Securities emerging market indices.

Analysts believe that interest in the African markets is likely to remain. Mr Miles Morland of Blakeney Management, a London-based emerging markets research firm, says: "I think Nigeria and Kenya are now a terrific speculation. Kenya has come down to a more realistic investment level partly because foreign investors did not rush in and partly because of the decline of the Kenyan shilling.

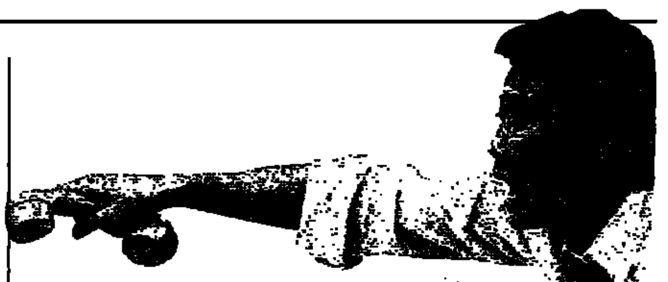
"In the case of Nigeria, at the current rate of exchange the total market capitalisation of the Lagos exchange is equivalent to 40 per cent of Ashanti Goldfields [the mining group quoted in both Ghana and the UK]. That can't be a true valuation can it?"

The investment climate in Nigeria has improved following the abolition of the 1962 exchange control act and the 1989 Nigerian enterprise act. However, foreign investment on the Lagos stock exchange with 174 companies listed is unlikely to take off until new legislation to replace the previous regime is announced. With a 36 per cent improvement since the begining of the year, the Lagos market has been one of the strongest performers this year.

Ghana is also expected to recover, and the planned privatisations of three banks and the local telecommunications company is expected to act as a spur for the return of foreign interest. Mr Keli Gadzekpo, a director at Databank brokerage, a local stockbroker, said: "The opportunity to make money is still great. The yields are still high enough and overseas investors should also factor in the coming privatisations."

Mr John Legat, emerging markets fund manager at GT Management, an investment management group with about £275m invested in sub-Sahara markets, said: "We regard ourselves as long-term investors in Africa so day-to-day movements are less of a concern to us. Our investments are likely to increase as more markets are opened up to foreign investors and new companies come to the market."

Elsewhere, investors await developments in the Francophone region following news in March that the Abidjan bourse in the Ivory Coast is to be transformed into a regional stock exchange serving seven West African countries.



News round-up

■ Poland

The Boston-based Pioneer Mutual Fund's two-year monopoly on the stock exchange is coming to an end as new funds prepare to enter a market still capitalised at just 8.4bn zlotys ($2.1bn), *writes Christopher Bobinski*.

Last week Credit and Stalt Securities, a wholly owned subsidiary of the Austrian bank working with Poland's Food Economy Bank, won a licence to operate an open ended fund, Korona, which will invest in listed securities and government bonds.

Credit Suisse and the PKO BP Domestic Savings Banks will be setting up an open ended fund, advised by CS First Boston Investment Management, a Credit Suisse subsidiary. Credit Suisse has yet to obtain a securities commission licence. Korona says it will be operational towards the end of next month.

This renewed interest in Warsaw comes as the mass privatisation scheme is due to come into effect within six months. About 400 state sector companies are to be placed in the hands of foreign managed funds which aim to improve performance and float over the next decade. Shares in the funds are to be distributed to the public at a nominal fee.

■ Lebanon

Solidere, Lebanon's biggest company which is rebuilding central Beirut, may defer a dividend for 1994 until next year, *Reuter reports*.

Last week's first annual meeting had to be postponed as it lacked a quorum, and has been rescheduled for June 26. Solidere A shares, distributed to former holders of property rights in the Beirut central district, closed at $130 on Friday from $127 a week ago. Solidere B shares, issued in a $650m subscription in January 1994, closed at $130 from $129¾.

■ Russia

The Moscow financial and futures exchange is to begin trading on July 17. The exchange will trade currency futures and equities and hopes to rival the more strictly regulated Moscow interbank currency exchange as a centre for foreign exchange trading.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

CURRENCIES — Philip Gawith

Dollar stays focus of market attention

Foreign exchange markets will again this week be trying to make sense of the dollar. In particular, they will be trying to assess the conflicting information that emerged last week.

On the one hand, the extremely gloomy report on US employment on Friday points the way to lower growth and falling interest rates – a backdrop unlikely to help the dollar.

On the other, an unexpected and deft episode of central bank support for the dollar has reminded the market, painfully in some cases, that selling the dollar is by no means a one-way bet.

Nerves are still jangling following the US currency's dip below DM1.40 last week, but the technical outlook remains positive.

Fundamentalists, however, will remain troubled by what Mr Carl Weinberg of High Frequency Economics describes as "a fundamentally driven excess supply of dollars out there, and a fundamentally driven excess demand for yen."

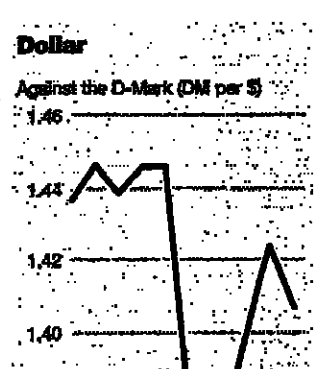
There are few figures for the market to focus on this week, save for the PPI on Friday, so traders will probably busy themselves trying to guess the next move from the Fed.

Events in Japan, however, will give dollar/yen watchers food for thought, with the release of current account data today, and the quarterly Tankan survey due on Friday. Evidence that yen strength is delaying the recovery may provide a spur for more determined government efforts to stimulate demand.

Indeed, talk in the markets that the hawkish ministry of finance may voluntarily introduce a further demand-boosting fiscal package is seen as a symptom of serious concern about the state of the economy.

Sterling has been buffeted by the dollar recently, but this week the monthly meeting between the chancellor and the governor of the Bank of England will provide a focus for sterling markets.

The decision last month by Mr Kenneth Clarke not to raise rates was branded as politically motivated, and hence bad for sterling. Subsequent events would appear to have vindicated his judgment, and no change is expected this week.



Baring Securities emerging markets indices

Index	2/6/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (352)	149.67	-0.19	-0.12	+7.05	+4.94	-8.36	-5.29
Latin America							
Argentina (23)	84.14	-3.79	-4.31	+3.60	+4.47	-1.97	-2.29
Brazil (23)	178.05	-11.54	-6.09	+3.68	+2.11	-31.33	-14.96
Chile (13)	232.44	+0.90	+0.39	+18.04	+8.41	+20.87	+9.86
Mexico (25)	67.67	+0.87	+1.30	-1.84	-2.64	-29.96	-30.68
Peru (16)	945.46	-15.67	-1.63	+20.89	+2.26	+96.79	+11.40
Latin America (100)	119.07	-3.42	-2.79	+2.54	+2.18	-19.70	-14.20
Europe							
Greece (18)	102.64	-3.57	-3.36	+4.45	+4.35	+15.85	+18.22
Portugal (23)	123.53	-2.37	-1.88	-2.28	-1.81	+7.25	+6.24
Turkey (22)	129.03	+3.81	+3.04	+6.81	+5.57	+52.92	+69.53
Europe (95)	115.71	-0.29	-0.25	-1.81	-1.54	+17.41	+17.83
Asia							
Indonesia (28)	143.94	+7.20	+5.26	+27.02	+23.12	+10.25	+7.67
Korea (24)	137.54	+5.67	+4.30	-0.79	-0.57	-2.34	-1.67
Malaysia (22)	255.75	+8.29	+3.35	+37.95	+17.42	+44.89	+21.29
Pakistan (15)	81.45	-3.36	-3.97	-0.01	-0.01	-24.75	-23.31
Philippines (12)	293.24	+7.35	+2.64	+48.82	+19.97	+11.12	+3.94
Thailand (25)	272.01	+1.16	+0.43	+25.23	+10.22	+20.37	+8.09
Taiwan (22)	150.27	+4.43	+3.04	-1.85	-1.22	-33.88	-18.40
Asia (157)	222.73	+8.04	+2.79	+22.51	+11.24	+12.11	+5.75

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

WORLD BOND MARKETS: This Week

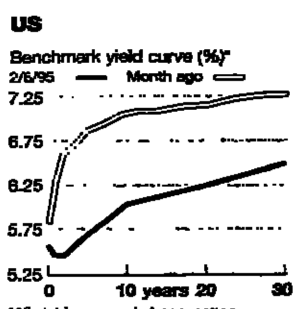
NEW YORK — Tony Jackson

After the upheavals of last week, the bond market has some hard thinking to do. May employment figures and April leading indicators seemed clear evidence that the economy is slowing at a faster rate than investors had bargained for. This ought to ensure that the Fed will start to ease interest rates – perhaps by 50 basis points – at the next FOMC meeting a month from now.

In that case, the 6.5 per cent yield on the long bond seen on Friday in response to the unemployment data could prove a mere staging post to the 6 per cent target the bulls are now confidently predicting.

If the Fed does not ease, the key question will be whether its continued fear of inflation is overdone. If the answer is 'yes', so much the worse for the economic downturn and so much the better for bonds.

Alternatively, the market might start to reflect that low bond yields mean cheap finance for industry, and a low dollar helps exporters.



*All yields are market convention
Source: Merrill Lynch

This Friday's figure for the May producer price index will therefore be worth watching. The expectation is for a headline figure of 0.4 per cent, or 0.2 per cent net of food and fuel. Anything much more, and last week's euphoria could prove short-lived.

Other figures due this week include May auto sales today, wholesale inventories for April tomorrow and consumer credit figures for April on Wednesday.

LONDON — Philip Coggan

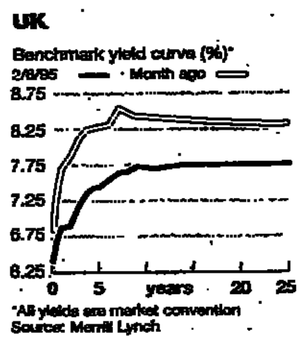
The gilts market will start the week with its eyes firmly on the US after Friday's powerful Treasury bond rally, following the weak employment data.

Growing expectations that US interest rates may start to fall, will ease even further the pressure on chancellor of the exchequer Mr Kenneth Clarke.

A series of weak UK economic data since his last meeting with Mr Eddie George, the governor of the Bank of England, in May has already strengthened the chancellor's hand. The duo meet again on Wednesday to discuss monetary policy.

"There is no case for the chancellor to raise rates now," says Mr Sanjay Joshi, chief economist at Daiwa Europe in London, "but they may want to raise base rates by half a percentage point (from the current 6.75 per cent) in the autumn to justify a tax-cutting budget."

Short sterling futures, the market's vehicle for speculating on interest rate changes, do not anticipate a rate rise before the end of September.



*All yields are market convention
Source: Merrill Lynch

Gilts will also be underpinned by the T-bond rally, which allowed the yield on the 10-year gilt to reach a new low for the year last week.

For the moment, the markets appear to be experiencing a re-run of the 1993 rally, and have forgotten the fears about government debt and inflation that dominated 1994 and the start of 1995.

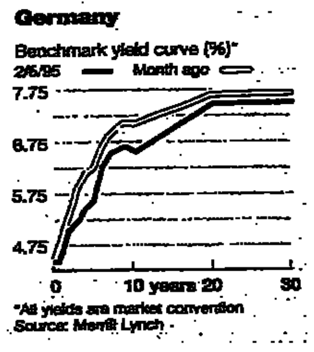
FRANKFURT — Andrew Fisher

The unexpectedly poor US employment figures are likely to liven up speculation about another cut in German interest rates, especially with the continuing nervousness in financial markets about the state of the dollar.

A few economists thought the Bundesbank might cut rates at last Thursday's council meeting, but this possibility has now been put off until mid-June, when it next meets in east Germany.

Mr Julian Jessop, an economist at HSBC Markets, said the US data reinforced the view that the next move in US rates would be down.

It also increased the chances of another Bundesbank rate cut, he said, especially if the dollar spent more time below DM1.40. Dresdner International Research said rate cut speculation would not wane, in spite of last week's decision to keep the discount rate at 4 per cent and the Lombard rate at 6 per cent. "Hence, the steep gradient of the yield curve in the German bond market will remain for some time."



*All yields are market convention
Source: Merrill Lynch

If the German economy turns out to be weakening, as some indicators have suggested, and the inflation trend remains favourable, Mr Joerg Hentzler, an economist at Industrial Bank of Japan, says another half-point discount rate "is very likely". Since import prices eased in April, "inflation performance would give bold support for such a step", he added.

TOKYO — Emiko Terazono

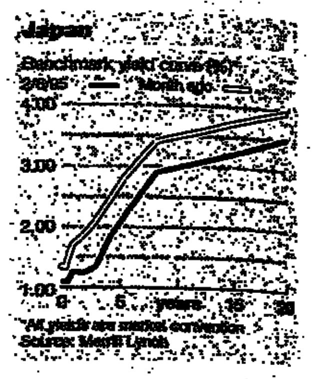
Bond prices were hit last week by an announcement from the finance ministry over the possibility of public funds being used to help the banks deal with mounting bad loans.

The clean-up of such loans would lift deflationary pressures, offering relief for the stock and property markets, but would take some time to help the real economy, which has been battered by the strength of the yen.

Economic data released last week, including a rise in unemployment and weak industrial production, revealed the extent of the effects of the high yen.

An announcement by Toyota Motor, Japan's largest manufacturer of motor vehicles, that it would cut its graduate intake next year also highlighted the problem of excess labour at manufacturers.

This week, investors will be focused on Friday's Tankan, the Bank of Japan's quarterly survey of business sentiment.



"It should confirm the economy is weakening significantly, adding to the pressure for another official discount rate cut," says DKB International.

The report is likely to reveal declining business confidence, particularly for small and medium-sized companies, and a downward revision of intended capital investment. It is also likely to confirm the recent deterioration in the labour market.

US Treasuries

Yield-chasers rush to catch up with the rally

Mr Lawrence Lindsey, a member of the Federal Reserve's board of governors, said last week that his job as a central banker was to take away the punch bowl before the economic party gets out of hand: it might not be as much fun but there would be fewer hangovers when it was over.

The party may be quietly ending for the US economy, but it is in full swing on the bond market.

Almost every economic statistic released last month – capped by Friday's weak jobs figures – indicated that the six interest rate increases since February of last year had led to slower growth.

In fact, the markets believe the economy has slowed so much that the Fed may have to bring back the punch. On Friday morning the futures market expected Fed Funds to sink to about 5.25 per cent by the end of the year from 6 per cent.

But signs of economic slowing have been a boon for bond market players who fear inflation will erode the value of their investments.

In the first four months of the year, the yield on the benchmark 30-year Treasury dropped 59 basis points. Since the beginning of last month it has fallen 80 basis points. On Friday, after news of a 101,000 fall in non-farm jobs, all but the 10-year note and the long-bond ended the week with yields below the federal funds rate target rate of six per cent.

The rally in the bond market in May has brought out a fair share of sceptics who believe that at such yields bonds have become too expensive.

Mr Robert Brusca of Nikko Securities, believes inflation may yet rear its head. "The bond market has put yields where they were right before the Fed started tightening. That should put a lot of stimulus back into the economy."

And many believe there is room for some near-term correction. "This market is overbought and it's over excited, and that's dangerous," says Mr Philippe Jordan of Daiwa Securities in New York. "You're going to have a lot of volatility simply because expectations have gotten so high."

But he is bullish in the long term that both cyclical and secular factors may add fuel to the rally. For one thing he says, "yield-chasing behaviour" by those who have missed part of the rally should add liquidity to the market.

Many pension and mutual fund manager are still rushing to catch up with the soaring market. According to Lipper Analitical only about half of general US government bond funds matched or outperformed the cumulative returns for Lipper's benchmark index from November 30 to May 25.

Mr John Lipsky and Mr Robert DiClemente of Salomon Brothers believe under-invested players could push long-bond yields down as much as 25 basis points, in spite of the market having discounted a great deal of economic slowing.

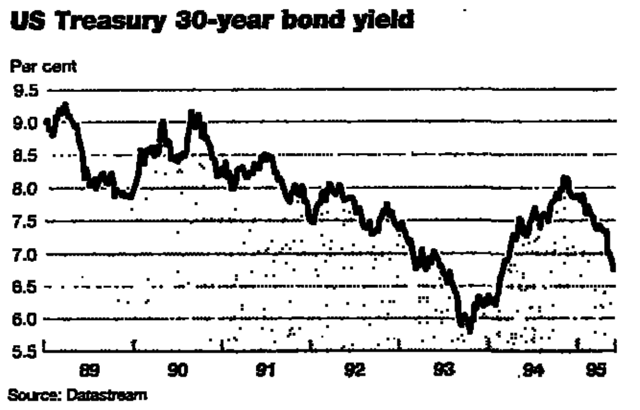
Also trailing the market are investors in instruments that can be redeemed before maturity, such as mortgage-backed securities. As yields have dropped, so have the maturities of their holdings, meaning investors have had to scurry into longer-term Treasuries to maintain long durations in their portfolios.

"There was an entire group of accounts that were effectively short the market," says the head of the government bond desk at a major Wall Street investment bank. "They've spent the first five months of this year trying to get back to even."

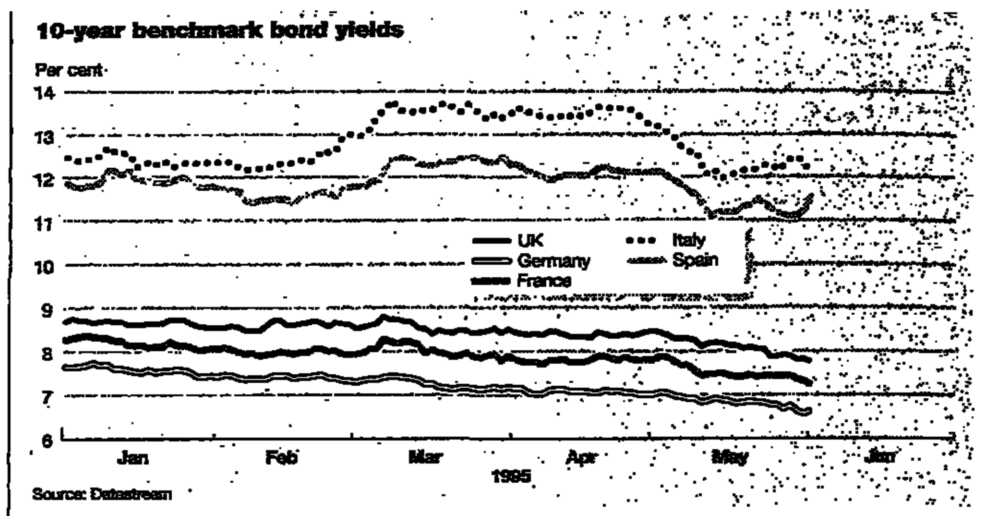
In the longer term, political changes in Washington may also have an impact on the markets. Hovering somewhere in the mix of information driving the bond market has been increasingly serious talk about balancing the budget.

Also, somewhere off the centre of the bond market's radar screens has been the gradual increase in personal savings from about $150bn in the early 1990s to about $285bn now, says Mr Stephen Slifer of Lehman Brothers.

The combination of a lower deficit and higher personal savings might be enough to drive the long bond yield at least another quarter of a percentage point lower, he says.



Source: Datastream



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	1.00	4.00	6.40	9.25	6.75
Overnight	5.94	1.25	4.44	7.56	10.56	6.38
Three month	5.55	1.06	4.25	7.20	10.50	6.43
One year	5.47	1.00	4.31	6.80	10.81	6.85
Five year	5.74	2.02	5.60	6.93	11.97	7.45
Ten year	6.05	2.85	6.55	7.35	12.15	7.70

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113-15	114-28	+1-00	116-12	113-15	59,352	191,912
Sep	113-13	114-16	+1-01	116-00	113-08	468,886	200,282
Dec	113-00	114-00	+1-00	115-16	112-27	5,249	11,385

Settlement

Isma moves to dampen volatility

The risks facing traders in the euromarkets have been reduced following the introduction last week of a shorter settlement period for eurobond, convertible and some other cross-border trades. Eurobond dealers are now settling transactions within three working days rather than seven calendar days following the introduction of the new system – dubbed T+3 – on June 1.

The long-expected change coincided with the announcement of other measures designed to streamline cross-border trade and settlement at the annual conference of the International Securities Market Association in Lisbon.

Faster settlement should reduce the impact of bank failures on the financial system, helping to isolate risks and dampen volatility.

Indeed, the benefits seem so clear it seems surprising change has taken so long to materialise. The Group of Thirty Washington-based think tank proposed more rapid settlement procedures more than five years ago, in the wake of the 1987 stock market crash.

However Isma – the eurobond traders association and regulator – has moved relatively quickly compared with some other regulators.

Although most of the bigger government bond markets have shorter settlement periods – either T+1 or T+2 in the main government bond markets – the regulatory authorities in many countries are only now beginning to accelerate settlement for corporate bond and equities trading.

The authorities in Austria, Belgium, France, Germany, Italy, Poland, Switzerland, Finland, Netherlands and Sweden announced the introduction of T+3 settlement for domestic bonds last week.

In the US, the Securities and Exchange Commission will shortly introduce T+3 settlement – compared with its current T+5 – for domestic equities and bonds and in the UK the stock exchange introduced a rolling settlement system for the first time last year, initially fixing a 10-day settlement period which is shortly to be reduced to five days.

Elsewhere, the Emerging Markets Traders Association, which links dealers in the market for the Brady bonds issued by Latin American and other developing countries, has also recently announced moves to adopt three-day settlement.

The euromarket is more receptive to change than five years ago. For one thing, the increased volumes and greater volatility of financial markets have underlined the benefits of quicker settlement.

At the same time, the development of credit facilities by Euroclear and Cedel, Europe's two main euromarket clearing houses, makes it easier for traders to finance positions in order to comply with tighter settlement requirements. And over the last five years repo markets in most government bonds have also grown rapidly, allowing dealers to borrow stock with relative ease.

Opposition within Isma from smaller, mainly Benelux country brokers appears to have evaporated. For tax reasons, small retail investors prefer to retain physical possession of their bonds, which could complicate more rapid settlement, and opposition from Benelux retail-oriented brokers surfaced at last year's Isma conference.

Mr John Dowsett, chairman of the Isma group that worked on the change, says the issue is a "storm in a teacup" and settlement can be extended if both parties to a trade agree.

The issue now for Isma is how quickly T+3 can become T+2 and T+1. It recognises that the trend towards faster settlement is inexorable. Mr John Langton, the chief executive, expects T+2 to be introduced within six to seven years.

Mr Dowsett says he initially favoured a two-day interval but the association had been quickly forced to recognise the complexities and inevitable delays arising from dealing in separate time zones and more than 20 currencies.

In the meantime, two other changes announced in Lisbon should also help increase the efficiency of the market. Isma is to extend its TRAX risk management and trade matching system to include some settlement information – including details of the net settlement amount, principal clearer and counterparty clearer. Such information can be matched at the same time as the basic trade details.

Isma and Euroclear also announced measures to connect TRAX to Euroclear's Euclid 90 computer system. The agreement would enable trade details to be transferred automatically from TRAX to Euclid software, reducing the amount of data operators must input manually and the potential for errors.

Cedel said on Friday that it was developing similar arrangements to allow a direct TRAX connection to its Cedcom system.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
HD Finance Cayman(a)§	175	Jun.2000	6.75#	100.00	-	-	Morgan Stanley Intl.
Federal Home Loan Mtg.Co.(b)	500	Jun.2000	6½(f)#	99.966R	6.508	+42(6¾%-00)	Lehman Brothers Intl.
Unilever	200	Jun.2005	6.625	99.50R	6.695	+25(6½%-05)	JP Morgan Secs./ UBS
Hyundai Intl.Merchant Bank(c)‡	80	Jul.2000	(c1)	100.00	-	-	Bayerische Landesbank
Kymmene Finance(j)‡	50	Jun.2000	(j1)	99.78R	-	-	Chemical Inv. Bank
Citicorp(m)‡	250	Sep.2000	(m1)	99.995R	-	-	Lehman Brothers Intl.
Bankers Trust NY Corp.(n)‡	200	Jun.2000	(n1)	99.915R	-	-	PaineWebber Intl.(UK)
Cariverona‡	300	Jul.2000	(o)	99.88R	-	-	Swiss Bank Corp.
Banco Itamarati, Cayman(p)	50	Jun.1996	10.00#	99.972R	10.03	+425(T-bill)	JP Morgan Securities
C.Parisienne Reescompte(q)‡	175	Jun.1998	(q1)	99.762R	-	-	BNP/ CS First Boston
Citibank, Brazil Branch	150	Jun.1997	9.50#	100.00R	9.50	+415(6⅛%-97)	Citibank International
Le Sirea, Series 3(r)★‡	148	Feb.1999	(r1,f)	100.00	-	-	Merrill Lynch Intl.
Banco Credito Nacional(t)	100	Jun.1997	11.00#	100.00R	11.00	+525(6⅛%-97)	Bankers Trust Intl.
YEN							
Norddeutsche Landesbank(s)	10bn	Dec.1996	2.24	100.20	-	-	Morgan Stanley Intl.
Nordic Investment Bank★	30bn	Jun.2002	2.60	100.25R	2.561	-	LTCB International
Mitsubishi Estate Co.(s)★	10bn	Sep.2003	3.10	101.95	-	-	Nikko Europe
Mitsubishi Estate Co.(s)★	10bn	Sep.2002	2.95	101.875	-	-	Yamaichi Intl.(Europe)
Mitsubishi Estate Co.(s)★	5bn	Sep.2001	2.70	100.20	-	-	Mitsubishi Trust Intl.
STERLING							
Ford Credit Europe(d)‡	100	Jun.2001	(d1)	99.788R	-	-	HSBC Markets
Royal Bank of Scotland(k)‡	125	Jun.2005	(k1)	99.60R	-	-	UBS
D-MARKS							
Land Sachsen-Anhalt	600	Jun.2005	6.875	100.50	6.804	-	Dresdner Bank
Nordic Investment Bank	300	Jul.2000	6.00	100.05R	5.988	+30(6½%-00)	ABN Amro Hoare Govt.
Heidelberger Zement Fin.(e)φ	150	Jun.2002	7.00	117.00	-	-	Dresdner Bank
Osterreichische Kontrollbank	100	Jun.2000	3.25	89.20R	5.800	+14(6½%-00)	Lehman Bros.Bankhaus
KfW International Finance	1bn	Jun.2005	6.75	99.745R	6.786	+19(6⅞%-05)	Bayer LB/ M.Stanley
Compagnie Bancaire	300	Jun.2000	6.00	99.63R	6.090	+42(6½%-00)	Bayerische Landesbank
Eurofima	200	Jun.2000	5.75	99.453	5.879	+22(6½%-00)	IBJ (Deutschland)
DSL Finance	500	Jun.2000	6.00	99.90R	6.024	+28(6½%-00)	Merrill Lynch Bank
Kingdom of Sweden	300	Jul.2000	6.00	99.60R	6.048	+35(6½%-00)	IBJ (Deutschland)
FRENCH FRANCS							
SNCF(f)	4bn	Apr.2006	7.50	98.443R	7.691	+130	Bq.Paribas/ CNCA
SWISS FRANCS							
Banque Nationale de Paris	125	Jul.2000	4.75	102.90	4.097	-	Credit Suisse
Japan Finance for Munl. Ents.	150	Jun.2005	5.00	103.125	4.603	-	Swiss Bank Corp.
ITALIAN LIRE							
World Bank	200bn	Jul.1997	10.50	100.89	9.987	-	BCI/ BNL/ JP Morgan
GUILDERS							
BNG	500	Jul.1999	5.50	99.06R	5.770	+10(7½%-99)	ING Bank
JP Morgan & Co.	250	Jul.2000	6.00	99.525R	6.113	+23(9%-00)	Rabobank Nederland
ABN Amro Lease Holding	150	Aug.2000	6.125	99.71R	6.194	+24(9%-00)	ABN Amro Hoare Govt.
KfW International Finance	250	Jul.2003	6.625	99.725R	6.670	+17½(6½-03)	Rabobank Nederland
LUXEMBOURG FRANCS							
Asik-Cger Ilco	3bn	Jul.1999	6.50	101.75	5.995	-	Banque UCL
Crédit Foncier de France	2bn	Jul.2005	7.375	102.30	7.047	-	BGL/ Kredietbank Lux.
LB Rheinland Pfalz(l)	2bn	Dec.2000	6.75	102.80	6.10	-	BGL/ Bq. Paribas Lux.
Oresundsforbindelsen(l)	2bn	Sep.2002	7.00	102.75	6.50	-	BIL
AUSTRALIAN DOLLARS							
Export Fin. & Ins.Corp.(i)★	225	Jun.1998	5.00#	93.945	7.28	-	Yamaichi Intl.(Europe)
Treasury Corp. of Victoria	100	Jan.1997	5.00	96.35	7.019	-	Nikko Europe
DANISH KRONER							
Kingdom of Sweden	400	Jul.2000	7.50	101.40	7.157	-	Kredietbank
ESCUDOS							
Eagle Pier Corp.(g)‡	10bn	Apr.2000	(g1)	100.00	-	-	Banco Chif
CZECH KORUNA							
CEZ(h)	4bn	Jun.2005	11.30	100.00	11.30	-	ABN Amro Hoare Govt.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. φWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Convertible into Hysan Development Co shares at HK$22.60. FX: 7.7355HK$/$. Callable from Jun.98, subject to 140% hurdle, at par. b) Callable from 6/6/98 at par. c) Callable and puttable in Jul.98 at par. c1) 6-mth Libor +40bp. d) Callable on coupon dates from Jun.00 at par. d1) 3-mth Libor +15bp. e) Denoms DM5,000 +60 5-yr wrts, 10 wrts entitle holder to 1 share at DM1,215. f) Domestic deal, FF1.5bn internationally syndicated. Fungible with FFr6bn. Plus 54 days accrued. g) Collateralised EU countries public debt. Short 1st & long last coupons. h1) 6-mth Libor +35bp. h) Callable on 6/6/00 at 101% falling ¼%pa to par. i) Over interpolated yield. j) Issue launched 22/5/95 was increased to $180m. Callable on coupon dates from Jun.98 at par. j1) 3-mth Libor +37½bp. k) Callable in Jun.00 at par. k1) 3-mth Libor +37½bp. l) Long 1st coupon. l) Long last coupon. m) Callable on coupon dates from Jun.98 at par. m1) 3-mth Libor +15bp. n) Callable on coupon dates from Jun.98 at par. n1) 3-mth Libor +20bp. o) 3-mth Libor +¼%. p) Parent bank launched separate $20m deal with identical terms. q) Includes $25m increase at 99.817R. q1) 3-mth Libor +15bp. r) Repackaged bonds. Callable annually from Feb.96 at par. r1) 3-mth Libor +45bp. s) Short 1st coupon. t) Acting jointly and severally with BCN Leasing. Note: Yields are calculated on ISMA basis.

هكذا من الأصل

WORLD STOCK MARKETS

INDICES

	Jun 2	Jun 1	May 31	1995 High		1995 Low	
Argentina							
General (29/12/77)	15709.25	15167.12	15303.64	18531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2008.7	2021.0	2019.5	2077.50	9/5	1823.30	8/2
All Mining(1/1/80)	881.6	890.4	888.8	952.50	19/4	795.30	8/2
Austria							
Credit Aktien(30/12/84)	386.43	383.41	381.41	385.42	2/1	350.32	30/3
Traded Index(2/1/91)	1052.82	1048.25	1034.89	1056.31	2/1	934.83	30/3
Belgium							
BEL20 (1/1/91)	1457.46	1460.26†	1454.28	1468.74	12/5	1271.53	9/3
Brazil							
Bovespa (29/12/83)	39665.0	37736.0	37206.0	43190.00	2/1	21382.00	9/3
Canada							
Metals Minls♦(1975)	4308.26	4315.01	4310.77	4326.07	18/1	3806.83	1/3
Composite♦ (1975)	4449.80	4445.60	4448.60	4449.80	2/6	3991.41	30/1
Portfolio§§ (4/1/83)	2187.20	2190.37	2190.37	2194.32	25/5	1948.39	31/1
Chile							
IGPA Gen (31/12/80)	6118.4	6101.8†	6078.4	6137.00	29/5	4576.90	9/3
Denmark							
CopenhagenSE(3/1/83)	359.88	360.06	359.46	360.87	26/5	330.01	29/3
Finland							
HEX General(28/12/90)	1869.4	1865.8	1841.4	1940.30	10/1	1555.30	29/3
France							
SBF 250 (31/12/90)	1303.41	1298.42	1291.97	1322.30	12/5	1153.14	10/3
CAC 40(31/12/87)	1971.30	1960.80	1947.95	2017.27	12/5	1721.80	13/3
Germany							
FAZ Aktien(31/12/58)	782.54	782.11	769.01	795.81	16/2	708.87	30/3
Commerzbank(1/12/53)	2246.8	2244.5	2205.2	2269.00	16/2	2018.70	30/3
DAX (30/12/87)‡	2138.26	2126.38	2092.17	2138.26	2/6	1910.98	28/3
Greece							
Athens SE(31/12/80)	890.66	890.31	891.45	955.01	8/5	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	(c)	9559.74	9407.38	9559.74	1/6	6967.93	23/1
India							
BSE Sens.(1979)	3384.99	3409.85	3351.48	3932.09	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	493.42	485.78	(c)	493.42	2/6	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	1950.34	1941.96	1926.11	1950.34	2/6	1813.59	23/1
Italy							
Banca Comm Ital (1972)	628.19	632.81	634.83	680.54	10/2	587.99	23/3
MIB General (2/1/95)	990.0	1001.0	1004.0	1076.00	10/2	929.00	23/3
Japan							
Nikkei 225 (16/5/49)	15849.13	15594.57	15436.79	19723.06	2/1	15381.29	3/4
Nikkei 300 (1/10/82)	237.76	234.72	233.86	287.17	2/1	228.06	24/3
Topix (4/1/68)	1277.99	1260.60	1254.11	1559.09	2/1	1239.67	24/3
2nd Section (4/1/68)	1558.21	1545.86	1520.85	2133.66	2/1	1520.85	31/5
Malaysia							
KLSE Comp.(4/4/86)	1078.08	1070.82	(c)	1078.08	2/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2011.80	1945.13	2354.25	2/1	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	474.6	476.1	471.7	478.10	1/6	422.90	23/3
CBS All Shr (End 83)	290.7	291.7	289.0	291.70	1/6	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2123.06	2110.81	2103.29	2155.79	18/5	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1177.08	1184.16	1178.65	1185.64	15/5	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2824.87	2802.72	2772.37	2824.87	2/6	2249.39	27/3
Portugal							
BTA (1977)	2816.3	2815.9	2806.9	2911.60	9/1	2682.40	26/1
Singapore							
SES All-S'pore(2/4/75)	529.48	532.89	524.85	535.06	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1407.7¥	1402.7	1387.1	2023.00	2/1	1317.20	22/5
JSE Indl. (28/9/78)	6966.8¥	6928.1	6907.8	7055.20	3/5	6222.00	31/1
South Korea							
KoreaCompExl(4/1/80)**	894.24	891.43	882.50	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	297.72	296.92	294.84	302.20	24/5	264.06	23/3
Sweden							
AffarsvardnGen (1/2/37)	1609.8	1605.4	1580.7	1609.80	2/6	1439.88	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1300.16	1303.37	1293.98	1303.37	1/6	1174.63	13/3
SBC General (1/4/87)	979.48	980.76	972.80	980.76	1/6	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	(c)	5714.33	5874.55	7124.66	3/1	5624.07	27/5
Thailand							
Bangkok SET (30/4/75)	1406.88	1401.60	1392.31	1406.88	2/6	1135.89	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	48653.1	48465.0	47370.9	54863.90	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)§	677.4*	671.7	670.6	680.10	8/5	598.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1372.38	1374.30	1354.50	1380.43	16/5	1222.41	13/3
Euro Top-100 (26/6/90)	1239.55	1239.57	1228.26	1240.71	16/5	1114.64	10/3
JCapelDrgns (31/12/88)	(u)	344.87	338.77	344.87	1/6	282.07	23/1
Barings Emerg.(7/1/92)	149.67	148.00	146.83	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Jun	1954.0	1959.0	+13.0	1963.0	1939.5	19,670	61,153
Jul	1975.5	1982.5	+34.5	1982.0	1967.5	330	12,130
■ DAX							
Jun	2128.5	2138.0	+16.0	2146.5	2117.0	21,826	127,697
Sep	2151.5	2158.0	+14.5	2167.5	2142.0	2,612	8,340
■ OMX							
May	-	-		-	-	-	
Jun	1270.0	1267.0	-1.00	1276.5	1260.0	4,034	15,378
■ SOFFEX							
Jun	2793.0	2795.0	+2.5	2802.0	2784.5	4,798	19,160
Jul	2796.0	2798.0	-2.0	2800.0	2793.0	105	1,589
■ S&P 500							
Jun	533.75	532.15	-1.60	534.95	529.00	92,827	177,056
Sep	535.30	536.55	-1.75	538.30	533.60	12,884	47,765
■ Nikkei 225							
Jun	15690.0	15930.0	+240.0	16030.0	15640.0	23,140	95,489
Sep	15750.0	15970.0	+280.0	16110.0	15670.0	21,632	69,910

Open interest figures for previous day.

** Sat May 27: Taiwan Weighted Price 5824.07; Korea Comp Ex 847.09. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 2 - 2132.72 +13.48.

US INDICES

Dow Jones	Jun 2	Jun 1	May 31	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4444.39	4472.75	4465.14	4472.75 (1/6)	3832.08 (30/1)	4472.75 (1/6/95)	41.22 (2/7/32)
Home Bonds	101.95	101.30	101.19	101.30 (2/6)	93.83 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1630.85	1658.33	1662.99	1686.28 (28/4)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	207.75	205.64	206.43	207.75 (2/6)	183.03 (3/1)	323.65 (28/5/95)	10.50 (8/4/32)

DJ Ind. Day's high 4496.27 (4499.72) Low 4408.35 (4421.56) (Theoretical♦)
Day's high 4488.31 (4478.28) Low 4430.90 (4437.47) (Actual♦)

Standard and Poors	Jun 2	Jun 1	May 31	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	532.51	533.49	533.40	533.49 (1/6)	459.11 (3/1)	533.49 (1/6/95)	4.40 (1/6/32)
Industrials¥	630.41	633.26	632.83	633.26 (1/6)	548.28 (3/1)	633.26 (1/6/95)	3.62 (21/6/32)
Financial	52.41	51.58	51.44	52.41 (2/6)	41.41 (2/1)	52.41 (2/6/95)	8.64 (1/10/74)
NYSE Comp.	286.53	286.73	286.44	286.73 (1/6)	250.73 (3/1)	286.73 (1/6/95)	4.46 (25/4/42)
Amex Mkt Val	487.84	490.90	492.10	492.10 (31/5)	433.12 (6/1)	492.10 (31/5/95)	29.31 (9/12/72)
NASDAQ Cmp	872.97	868.82	864.58	879.64 (23/5)	743.58 (3/1)	879.64 (23/5/95)	54.87 (31/10/72)

■ RATIOS

	May 26	May 19	May 12	Year ago
Dow Jones Ind. Div. Yield	2.53	2.54	2.47	2.69
	May 31	May 24	May 17	Year ago
S & P Ind. Div. yield	2.19	2.21	2.20	2.48
S & P Ind. P/E ratio	17.72	17.61	18.91	24.06

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Hanson	10,299,800	18½	----
Motorola	5,063,300	60	-1⅛
Chrysler	4,868,600	44⅞	-⅝
Ford Motor	4,694,300	30⅝	+⅛
Telefonos	4,553,200	30	----
Mircon	3,921,500	47⅞	+1
Portugal Tel	3,734,400	19⅝	+⅜
Merck	3,446,700	47⅞	+½
Digital Equip	3,131,200	44⅞	-1
Amer T & T	2,869,000	51	+¼

■ TRADING ACTIVITY

● Volume (million)

	Jun 2	Jun 1	May 31
New York SE	368.970	348.187	358.180
Amex	19.592	20.818	20.878
NASDAQ	(u)	366.374	392.061
NYSE			
Issues Traded	3,006	2,988	2,989
Rises	1,469	1,233	1,578
Falls	907	926	682
Unchanged	630	829	729
New Highs	268	165	167
New Lows	12	11	14

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3169. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Friday, June 2, 1995.

	Stocks Traded	Closing Prices	Change on day
Tamura Elec Wks	11.8m	1,050	+30
Fudo Const	8.5m	707	+8
Nippon Steel	6.4m	313	+5
Maruyama Mfg	6.4m	564	+28
Hitachi	4.6m	830	+4
Daido Stl Sheet	4.1m	840	+45
NKK Corp	3.3m	217	+1
Sakura Bank	3.2m	1,030	+20
Nippon Paint	3.1m	554	+14
Sumitomo Const	2.8m	522	+2

هدية من الأهل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jun 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7287	-0.1836	178 - 398	15.8930	15.6757	15.7058	1.8	15.6584	1.8	-	-	107.2
Belgium	(BFr)	45.8822	-0.5169	255 - 989	46.3260	45.7060	45.7972	1.7	45.6672	1.7	45.0572	1.8	110.0
Denmark	(DKr)	8.7222	-0.1153	178 - 265	8.8262	8.7028	8.7258	-0.5	8.7176	0.2	8.6867	0.4	110.3
Finland	(FM)	6.8579	-0.0774	512 - 645	6.9220	6.8380	-	-	-	-	-	-	87.3
France	(FFr)	7.8711	-0.0834	674 - 747	7.9485	7.8478	7.8795	-1.3	7.888	-0.9	7.846	0.3	108.6
Germany	(DM)	2.2369	-0.0276	354 - 384	2.2593	2.2278	2.2336	1.7	2.2254	2.0	2.1837	2.4	111.9
Greece	(Dr)	359.073	-3.376	880 - 265	363.022	357.811	-	-	-	-	-	-	69.0
Ireland	(I£)	0.9773	-0.0029	761 - 784	0.9834	0.9752	0.9769	0.5	0.9767	0.2	0.9769	0.0	97.4
Italy	(L)	2604.47	-19.97	206 - 688	2637.58	2593.97	2613.97	-4.4	2631.47	-4.1	2702.97	-3.8	67.9
Luxembourg	(LFr)	45.8822	-0.5169	255 - 989	46.3260	45.7060	45.7972	1.7	45.6672	1.7	45.0572	1.8	110.0
Netherlands	(Fl)	2.4971	-0.0324	955 - 987	2.5286	2.4929	2.493	2.0	2.4893	1.3	2.4369	2.4	109.8
Norway	(NKr)	9.9334	-0.1133	279 - 388	10.0488	9.8786	9.9247	1.1	9.9011	1.3	9.7738	1.6	98.3
Portugal	(Es)	236.017	-2.37	808 - 226	238.093	235.402	235.152	4.4	238.322	-3.9	-	-	95.6
Spain	(Pta)	193.625	-2.507	484 - 765	196.002	192.888	194.125	-3.1	195.2	-3.3	200.225	-3.4	81.2
Sweden	(SKr)	11.5928	-0.089	812 - 044	11.7306	11.5555	11.5951	-0.2	11.5996	-0.2	11.6182	-0.2	77.7
Switzerland	(SFr)	1.8400	-0.0287	385 - 414	1.8636	1.8361	1.8354	3.0	1.8251	3.2	1.777	3.4	113.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.0
Ecu	-	1.2132	-0.0128	106 - 118	1.2222	1.2062	1.2113	0.0	1.21	0.4	1.2028	0.7	-
SDR†	-	1.023690	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5901	-0.0009	895 - 907	1.6015	1.5853	-	-	-	-	-	-	-
Brazil	(R$)	1.4359	-0.0084	330 - 387	1.4505	1.4330	-	-	-	-	-	-	-
Canada	(C$)	2.1903	+0.0039	892 - 913	2.2028	2.1839	2.1928	-1.4	2.1956	-1.0	2.1884	0.2	82.1
Mexico	(New Peso)	9.8324	-0.056	975 - 673	9.8782	9.8419	-	-	-	-	-	-	-
USA	($)	1.5910	-0.0001	905 - 915	1.6023	1.5874	1.5907	0.2	1.5892	0.5	1.5742	1.1	86.5
Pacific/Middle East/Africa													
Australia	(A$)	2.2221	-0.0055	198 - 243	2.2172	2.2142	2.2243	-1.2	2.2277	-1.0	2.237	-0.7	77.3
Hong Kong	(HK$)	12.3040	-0.0044	993 - 087	12.3922	12.2770	12.3	0.4	12.2906	0.4	12.2237	0.7	-
India	(Rs)	49.9893	+0.0144	417 - 368	50.3040	49.9060	-	-	-	-	-	-	-
Israel	(Shk)	4.7792	-0.021	734 - 850	4.8341	4.7864	-	-	-	-	-	-	-
Japan	(Y)	133.851	-1.547	729 - 973	136.170	133.600	133.286	5.1	132.031	5.4	126.171	5.7	170.9
Malaysia	(M$)	3.9035	-0.0129	015 - 055	3.9385	3.8955	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3807	-0.0243	781 - 832	2.3772	2.3722	2.3855	-2.4	2.3946	-2.3	2.4112	-1.3	98.3
Philippines	(Peso)	41.1274	+0.0782	554 - 994	41.2994	40.9554	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9674	-0.0002	652 - 696	6.0096	5.9542	-	-	-	-	-	-	-
Singapore	(S$)	2.2123	-0.0009	108 - 138	2.2264	2.2081	-	-	-	-	-	-	-
South Africa	(R)	5.8474	-0.015	443 - 504	5.8929	5.8324	-	-	-	-	-	-	-
South Korea	(Won)	1211.94	+2.19	148 - 240	1220.47	1209.28	-	-	-	-	-	-	-
Taiwan	(T$)	40.8903	-0.0013	711 - 095	41.1743	40.8041	-	-	-	-	-	-	-
Thailand	(Bt)	39.2023	-0.0887	740 - 305	39.5050	39.1290	-	-	-	-	-	-	-

† Rates for Jun 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8881	-0.1213	822 - 899	9.9300	9.7900	9.8741	1.5	9.8541	1.3	9.7596	1.3	108.7
Belgium	(BFr)	28.8260	-0.324	120 - 400	28.9320	28.5450	28.791	1.5	28.736	1.2	28.616	0.7	109.5
Denmark	(DKr)	5.4822	-0.0723	812 - 832	5.5198	5.4375	5.4855	-0.7	5.4917	-0.7	5.5167	-0.6	108.8
Finland	(FM)	4.3104	-0.0486	076 - 132	4.3344	4.2700	4.3086	0.5	4.3054	0.5	4.3049	0.1	86.0
France	(FFr)	4.9473	-0.0522	465 - 480	4.9705	4.9072	4.9535	-1.5	4.9638	-1.3	4.9828	-0.7	107.5
Germany	(DM)	1.4060	-0.0173	055 - 065	1.4125	1.3917	1.4042	1.5	1.4004	1.6	1.3868	1.4	110.9
Greece	(Dr)	225.690	-2.115	640 - 740	227.600	223.800	227.69	-10.6	231.44	-10.2	247.19	-9.5	68.1
Ireland	(I£)	1.6281	+0.0048	267 - 295	1.6400	1.6240	1.6287	-0.4	1.6305	-0.6	1.6353	-0.4	-
Italy	(L)	1637.00	-12.5	600 - 800	1649.00	1622.50	1643.5	-4.8	1656.25	-4.7	1716.5	-4.9	67.4
Luxembourg	(LFr)	28.8260	-0.324	120 - 400	28.9320	28.5450	28.791	1.5	28.736	1.2	28.616	0.7	109.5
Netherlands	(Fl)	1.5695	-0.0203	690 - 700	1.5797	1.5569	1.5672	1.7	1.5627	1.7	1.5474	1.4	108.7
Norway	(NKr)	6.2435	-0.071	420 - 449	6.2745	6.1817	6.2447	-0.2	6.2375	0.4	6.23	0.2	96.0
Portugal	(Es)	148.345	-1.485	260 - 430	149.020	147.080	148.795	-3.6	149.795	-3.9	155.595	-4.9	95.3
Spain	(Pta)	121.700	-1.635	650 - 750	122.600	120.850	122.04	-3.4	122.84	-3.7	127.175	-4.5	80.3
Sweden	(SKr)	7.2865	-0.0557	815 - 915	7.3267	7.2353	7.3022	-2.6	7.338	-2.8	7.524	-3.3	77.2
Switzerland	(SFr)	1.1565	-0.018	560 - 570	1.1655	1.1467	1.1538	2.7	1.1485	2.8	1.1285	2.4	112.6
UK	(£)	1.5910	-0.0001	905 - 915	1.6023	1.5874	1.5907	0.2	1.5892	0.5	1.5742	1.1	84.2
Ecu	-	1.3136	+0.0132	133 - 138	1.3235	1.3098	1.3135	0.1	1.3134	0.1	1.3093	0.3	-
SDR†	-	0.64610	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0005	994 - 995	0.9995	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	0.9025	-0.004	010 - 040	0.9060	0.9010	-	-	-	-	-	-	-
Canada	(C$)	1.3767	+0.0025	764 - 769	1.3775	1.3707	1.3785	-1.6	1.3817	-1.4	1.3932	-1.2	81.0
Mexico	(New Peso)	6.1800	-0.035	600 - 000	6.2000	6.1600	6.1822	-0.4	6.1854	-0.4	6.1903	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	90.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3966	-0.0034	957 - 976	1.3976	1.3838	1.3982	-1.4	1.4021	-1.6	1.4233	-1.9	78.8
Hong Kong	(HK$)	7.7335	-0.0025	330 - 340	7.7350	7.7330	7.7317	0.3	7.7313	0.1	7.747	-0.2	-
India	(Rs)	31.4200	+0.01	000 - 400	31.4400	31.3920	31.5	-3.1	31.745	-4.1	-	-	-
Israel	(Shk)	3.0039	-0.0131	012 - 065	3.0219	2.9884	-	-	-	-	-	-	-
Japan	(Y)	84.1300	-0.97	800 - 800	85.1000	83.4800	83.795	4.8	83.08	5.0	80.105	4.8	170.4
Malaysia	(M$)	2.4535	-0.008	530 - 540	2.4625	2.4525	2.4515	1.0	2.4491	0.7	2.4435	0.4	-
New Zealand	(NZ$)	1.4963	-0.0152	952 - 975	1.4975	1.4836	1.4997	-2.7	1.5065	-2.7	1.5257	-2.0	-
Philippines	(Peso)	25.8500	+0.05	500 - 500	25.9500	25.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-	505 - 509	3.7509	3.7505	3.7517	-0.3	3.7538	-0.3	3.7657	-0.4	-
Singapore	(S$)	1.3905	-0.0005	900 - 910	1.3910	1.3895	1.3853	4.5	1.377	3.9	1.3505	2.9	-
South Africa	(R)	3.6753	-0.0093	745 - 760	3.6885	3.6620	3.6963	-6.9	3.7473	-7.8	4.0033	-8.9	-
South Korea	(Won)	761.750	+1.4	700 - 800	761.800	759.900	764.75	-4.7	768.25	-3.4	786.75	-3.3	-
Taiwan	(T$)	25.7010	-	970 - 050	25.7050	25.6970	25.721	-0.9	25.761	-0.9	-	-	-
Thailand	(Bt)	24.6400	-0.055	300 - 500	24.7200	24.6250	24.661	-1.0	24.6875	-0.8	24.775	-0.5	-

† SDR rate per $ for Jun 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 1. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

June 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 3/8	4 5/8	4 5/8	5	5 1/4	7.40	4.00	-
week ago	4 1/2	4 5/8	5	5 1/8	5 1/4	7.40	4.00	-
France	7 3/8	7 3/8	7 3/8	7 1/4	6 3/4	5.00	-	8.00
week ago	7 3/8	7 3/8	7 3/8	7 1/4	6 3/4	5.00	-	8.00
Germany	4 1/2	4 1/2	4 1/2	4 1/2	4 5/8	6.00	4.00	4.51
week ago	4 1/2	4 1/2	4 1/2	4 5/8	4 3/4	6.00	4.00	4.51
Ireland	6 3/8	6 1/2	6 11/16	6 15/16	7 1/8	-	-	6.25
week ago	6 3/8	6 1/2	6 11/16	6 15/16	7 1/8	-	-	6.25
Italy	10 1/4	10 11/16	10 13/16	10 3/4	11	-	7.50	10.40
week ago	10 1/4	10 11/16	10 3/4	10 15/16	11 1/8	-	7.50	10.40
Netherlands	4 1/8	4 3/8	4 3/8	4 3/8	4 3/8	-	5.25	-
week ago	4 1/8	4 3/8	4 3/8	4 1/2	4 5/8	-	5.25	-
Switzerland	2 3/4	3 5/8	3 5/8	3 5/8	3 1/2	6.625	3.00	-
week ago	2 3/4	3 3/4	3 3/4	3 5/8	3 1/2	6.625	3.00	-
US	6	6	6	5 15/16	5 15/16	-	5.25	-
week ago	6	6	6	6	6	-	5.25	-
Japan	1 3/4	1 3/8	1 3/8	1 3/8	1 3/8	-	1.00	-
week ago	1 3/4	1 1/2	1 1/2	1 1/2	1 1/2	-	1.00	-
$ LIBOR FT London								
Interbank Fixing	-	6 1/8	6	5 7/8	5 7/8	-	-	-
week ago	-	6 1/8	6 1/8	6 1/8	6 1/8	-	-	-
US Dollar CDs	-	5.75	5.63	5.46	5.42	-	-	-
week ago	-	5.75	5.79	5.78	5.79	-	-	-
ECU Linked Ds	-	6 1/4	6 1/4	6 1/4	6 3/8	-	-	-
week ago	-	6 1/4	6 1/4	6 1/4	6 3/8	-	-	-
SDR Linked Ds	-	4	4 1/8	4 1/8	4 1/4	-	-	-
week ago	-	4	4 1/8	4 1/4	4 1/4	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 5/8 - 4 1/2	4 11/16 - 4 9/16	4 11/16 - 4 9/16	4 7/8 - 4 3/4	5 - 4 7/8	5 1/4 - 5 1/8
Danish Krone	6 1/2 - 6	7 5/8 - 7 3/8	7 3/4 - 7 5/8	7 3/4 - 7 5/8	7 3/4 - 7 5/8	7 3/4 - 7 5/8
D-Mark	4 5/8 - 4 1/2	4 9/16 - 4 7/16	4 15/32 - 4 13/32	4 15/32 - 4 13/32	4 7/16 - 4 5/8	4 9/16 - 4 1/2
Dutch Guilder	4 3/8 - 4 1/4	4 7/16 - 4 5/16	4 7/16 - 4 5/16	4 7/16 - 4 3/8	4 9/16 - 4 7/16	4 5/8 - 4 9/16
French Franc	7 5/8 - 7 3/8	7 5/8 - 7 3/8	7 5/8 - 7 3/8	7 1/2 - 7 1/4	7 1/4 - 7	6 13/16 - 6 9/16
Portuguese Esc.	9 - 8 7/8	9 1/8 - 8 15/16	9 1/2 - 9 3/8	10 - 9 13/16	10 1/2 - 10 3/16	11 1/16 - 10 13/16
Spanish Peseta	8 15/16 - 8 13/16	9 - 8 7/8	9 3/8 - 9 1/4	9 13/16 - 9 9/16	10 1/16 - 9 13/16	10 1/2 - 10 3/8
Sterling	6 1/2 - 6 1/4	6 1/2 - 6 3/8	6 1/2 - 6 3/8	6 5/8 - 6 1/2	6 13/16 - 6 11/16	7 - 6 7/8
Swiss Franc	3 5/16 - 3 3/16	3 1/4 - 3 1/8	3 1/4 - 3 1/8	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 1/2 - 3 3/8
Can. Dollar	7 7/8 - 7 11/16	7 5/8 - 7 7/16	7 1/2 - 7 3/8	7 7/16 - 7 5/16	7 5/16 - 7 3/16	7 1/4 - 7 1/8
US Dollar	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6 - 5 7/8	5 7/8 - 5 3/4	5 7/8 - 5 3/4
Italian Lira	10 1/8 - 10	10 11/16 - 10 7/16	10 11/16 - 10 7/16	10 11/16 - 10 7/16	10 3/4 - 10 5/8	11 - 10 7/8
Yen	1 5/16 - 1 1/4	1 11/32 - 1 7/32	1 3/16 - 1 1/4	1 3/16 - 1 1/8	1 1/8 - 1 1/16	1 1/16 - 1
Asian $Sing	1/4 - 1/8	1/4 - 1/8	1/2 - 3/8	1 - 7/8	1 1/2 - 1 3/8	2 1/4 - 2 1/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% (May 26)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.07	94.18	+0.09	94.34	94.03	74,136	343,891
Sep	94.36	94.52	+0.16	94.74	94.29	120,121	367,479
Dec	94.36	94.55	+0.17	94.78	94.32	167,880	328,825

■ US TREASURY BILL FUTURES (IMM) $1m per 100% (May 26)

Jun	94.51	94.63	+0.10	94.76	94.49	775	8,238
Sep	94.76	94.92	+0.14	95.12	94.69	1,460	11,925
Dec	94.79	94.96	+0.16	95.16	94.79	646	11,916

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	17.16	4.878	2.130	5678	5.445	21.66	514.6	422.2	25.27	4.012	2.181	4.775	3.469	291.8	2.641
Denmark	(DKr)	52.58	10	9.024	2.565	1.120	2986	2.863	11.39	270.6	222.0	13.29	2.110	1.147	2.511	1.824	153.4	1.388
France	(FFr)	58.28	11.08	10	2.842	1.241	3308	3.172	12.62	299.8	246.0	14.72	2.338	1.270	2.782	2.021	170.0	1.539
Germany	(DM)	20.50	3.899	3.519	1	0.437	1164	1.116	4.440	105.5	86.54	5.181	0.823	0.447	0.979	0.711	59.81	0.541
Ireland	(I£)	46.94	8.927	8.056	2.290	1	2665	2.556	10.17	241.6	198.2	11.86	1.883	1.024	2.242	1.628	136.9	1.240
Italy	(L)	1.761	0.335	0.302	0.086	0.038	100.	0.096	0.381	9.063	7.435	0.445	0.071	0.038	0.084	0.061	5.138	0.047
Netherlands	(Fl)	18.37	3.493	3.152	0.896	0.391	1043	1	3.978	94.51	77.53	4.642	0.737	0.400	0.877	0.637	53.58	0.485
Norway	(NKr)	46.17	8.781	7.924	2.252	0.984	2622	2.514	10	237.6	194.9	11.67	1.852	1.007	2.205	1.602	134.7	1.219
Portugal	(Es)	19.43	3.696	3.335	0.948	0.414	1103	1.058	4.209	100.	82.03	4.911	0.780	0.424	0.928	0.674	56.69	0.513
Spain	(Pta)	23.69	4.505	4.066	1.155	0.505	1345	1.290	5.131	121.9	100.	5.987	0.950	0.517	1.131	0.822	69.11	0.626
Sweden	(SKr)	39.57	7.525	6.791	1.930	0.843	2247	2.154	8.570	203.6	167.0	10	1.586	0.863	1.890	1.373	115.4	1.045
Switzerland	(SFr)	24.92	4.740	4.278	1.216	0.531	1415	1.357	5.398	128.3	105.2	6.299	1	0.543	1.190	0.865	72.72	0.658
UK	(£)	45.86	8.722	7.871	2.237	0.977	2604	2.497	9.933	236.0	193.6	11.59	1.840	1	2.190	1.591	133.8	1.211
Canada	(C$)	20.94	3.983	3.594	1.021	0.446	1189	1.140	4.536	107.8	88.40	5.292	0.840	0.457	1	0.726	61.10	0.553
US	($)	28.82	5.482	4.947	1.406	0.614	1637	1.569	6.243	148.3	121.7	7.285	1.157	0.629	1.376	1	84.10	0.761
Japan	(Y)	34.28	6.519	5.883	1.672	0.730	1946	1.866	7.424	176.4	144.7	8.662	1.375	0.747	1.637	1.189	100.	0.905
Ecu		37.87	7.202	6.500	1.847	0.807	2150	2.062	8.202	194.9	159.9	9.571	1.519	0.826	1.808	1.314	110.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.7094	0.7086	-0.0008	0.7200	0.7021	33,546	63,285
Sep	0.7092	0.7111	-0.0005	0.7215	0.7050	2,960	10,315
Dec	0.7142	0.7132	-0.0006	0.7250	0.7084	23	1,382

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Jun	0.8600	0.8604	+0.0011	0.8725	0.8520	15,533	23,776
Sep	0.8675	0.8657	+0.0007	0.8770	0.8575	885	3,771
Dec	0.8720	0.8704	+0.0003	0.8820	0.8650	21	727

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	1.1804	1.1859	+0.0058	1.2010	1.1755	23,583	58,283
Sep	1.2027	1.1999	+0.0045	1.2150	1.1900	3,542	9,053
Dec	1.2132	1.2138	+0.0045	1.2290	1.2100	60	870

■ STERLING FUTURES (IMM) £62,500 per £

Jun	1.5976	1.5878	-0.0096	1.6020	1.5810	6,891	24,386
Sep	1.5920	1.5852	-0.0100	1.6000	1.5770	457	2,039
Dec	1.5930	1.5802	-0.0110	1.5950	1.5760	2	175

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.525	6.08	-	-	-	-	0.73
1.550	3.76	-	-	0.17	-	-
1.575	1.89	2.60	3.29	0.73	1.60	2.28
1.600	0.70	1.53	2.15	1.98	2.83	3.52
1.625	0.17	0.76	1.29	3.89	4.54	5.13
1.650	-	0.31	-	6.21	-	-

Previous day's vol., Calls 6,798 Puts 18,727 . Prev. day's open int., Calls 277,813 Puts 336,978

■ Pound in New York

Jun 2	----Close----	-- Prev. close --
£ spot	1.5895	1.5975
1 mth	1.5890	1.5972
3 mth	1.5870	1.5957
1 yr	1.5705	1.5809

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies & Finance page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Jun 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 9/16 - 4	6 1/8 - 5 13/16	6 5/16 - 6 1/8	6 5/8 - 6 7/16	6 13/16 - 6 5/8	7 1/8 - 6 15/16
Sterling CDs	-	-	6 13/32 - 6 11/32	6 9/16 - 6 7/16	6 3/4 - 6 21/32	6 7/8 - 6 13/16
Treasury Bills	-	-	6 1/8 - 6 1/16	6 3/16 - 6 1/8	-	-
Bank Bills	-	-	6 5/16 - 6 3/16	6 3/8 - 6 1/4	6 1/2 - 6 3/8	-
Local authority deps.	5 13/32 - 5 11/32	6 15/32 - 5 13/32	6 5/16 - 6 3/16	6 9/16 - 6 7/16	6 3/4 - 6 5/8	7 1/16 - 6 15/16
Discount Market deps	5 1/2 - 5	6 1/16 - 5 13/16	-	-	-	-

UK clearing bank base lending rate, 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 1/4	5 3/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.1801pc. ECGD fixed rate Stlg. Export Finance. Make up day May 31, 1995. Agreed rate for period June 26, 1995 to July 25, 1995, Schemes II & III 8.03pc. Reference rate for period Apr 29, 1995 to May 31, 1995, Schemes IV & V 6.788pc. Finance House Base Rate 7pc from June 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Jun 2	May 26		Jun 2	May 26
Bills on offer	£1100m	£1100m	Top accepted rate	6.2772%	6.0767%
Total of applications	£2881m	£4463m	Ave. rate of discount	6.1801%	6.0766%
Total allocated	£1100m	£1100m	Average yield	6.2768%	6.1701%
Min. accepted bid	£98.435	£98.485	Offer at next tender	£1300m	£1100m
Allotment at min. level	27%	100%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday May 31, 1995 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	292,673,760	-705,876,326
Bankers deposits	1,554,740,572	+8,028,239
Reserve and other accounts	2,986,036,040	-19,203,342
	4,848,003,372	-678,644,045
Assets		
Government securities	2,094,848,456	+588,075,000
Advance and other accounts	1,540,015,281	-278,560,285
Premises, equipment and other secs	1,200,205,288	-980,836,175
Notes	3,789,430	-7,903,560
Coin	148,817	-11,025
	4,848,003,372	-678,644,045
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,256,210,570	+287,903,560
Notes in Banking Department	3,789,430	-7,903,560
	19,260,000,000	+280,000,000
Assets		
Other Government securities	17,456,736,961	[illegible]
Other Securities	1,803,263,039	[illegible]
	19,260,000,000	+280,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

FT GOLD MINES INDEX

	Jun 2	% chg since 30/12/94	Jun 1	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (33)	1889.29	-4.4	1909.39	46.76	100.00	2.17	2337.90	1637.91
■ Regional Indices								
Africa (16)	2551.13	-20.1	2529.48	13.56	29.01	5.09	3711.87	2428.19
Australasia (6)	2187.03	-11.7	2206.28	5.49	11.74	1.80	2951.49	1788.20
North America (11)	1663.24	+7.7	1694.05	27.71	59.26	0.82	1911.21	1348.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
CONSTITUENT CHANGE DURING THE WEEK ENDING 2/6/95: Deletion: Dominion Mining (Australasia).

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	P.P.	132.5	733	689	Brit Aero Cap Uts	724	+4	-	-	-	-
-	F.P.	143.7	105	100	Dunnyat An Div	105		M8.2	-	7.4	-
-	F.P.	29.7	105	100	Do. Monthly Div	105		M5.92	-	7.0	-
-	F.P.	25.2	103	98	Finsbury Worldwide	101		-	-	-	-
190	F.P.	442.1	187	165½	General Cable	174½	+1½	-	-	-	-
80	F.P.	14.6	98	80	Gus Carter	92		v-	-	-	20.2
3	F.P.	2.23	3½	3½	Langdons Foods	3½		Hv0.1	2.6	3.6	13.3
-	F.P.	13.0	650	650	Oryx India	650		-	-	-	-
-	F.P.	1.00	250	250	Do Warrants	250		-	-	-	-
125	F.P.	20.7	141	125	Precoat Int'l	141		R4.2	2.5	3.7	13.5
-	F.P.	83.9	107	103	Schroder Inc Gth	106		-	-	-	-
-	F.P.	4.27	31	26	Do. Warrants	27		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	1995 Low	Stock	Closing price p	+or-
34	Nil	-	35pm	3pm	Daniels (S)	28pm	-2
4	Nil	-	2½pm	1pm	Prime People	1pm	
35	Nil	3/7	2½pm	¾pm	Regal Hotel	¾pm	
475	Nil	9/6	44½pm	27pm	Scott & N ULS 95/00	34pm	-1

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

GUERNSEY (SIB RECOGNISED)

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GT Asset Management - Contd.

IRELAND (REGULATED)(**)

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

F.I.T. Investment Trust Ltd (u)

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (u)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

IBI Managers (IoM) Ltd

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Disa Income Fund

Dolphin Intl Investments (u) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Eagle Star – Global Assets Fund (z)

PRICOA Worldwide Inv Portfolio Sicav (u)

Regent Global Fund (u) (z)

S-E-Banken Luxembourg SA

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		60½	—	8%	—	Jan Dec	14.11	1757
9¼pc Non-Cum Prf		44¾	—	9¼%	—	Jan Jul	14.11	1421
Cater Allen	♣†□	524	1.0	28.3	1.6	Jan Jul	12.12	2081
Close Bros	♣†□	279	1.5	7.9	2.9	Apr Oct	13.3	2168
Gerrard & Nat	♣†□	481	-1.5	24.8	1.3	Jul Dec	7.11	2686
Hambros	□	215	5.4	15.0	1.1	Aug Dec	28.11	2812
7½pc Cv Pf		103	1.0	7½%	—	Oct Apr	20.2	4386
Joseph (L)	♣†	383	—	17.95	1.9	Sep Dec	5.12	3080
King & Shaxson	♣	118	—	9.0	1.7	Jan Jul	19.12	3088
Kleinwort Benson	♣v□	680	3.2	21.8	2.6	May Oct	27.2	3102
Rea Bros	♣v□	51	—	1.0	2.7	May Oct	10.4	3789
Schroders	♣w□	1135	-.7	13.67	5.1	May Oct	27.3	3939
N/V	w	935	-1.6	13.67	5.1	May Oct	27.3	3941
Singer & Fried	♣v□	95xd	-1.0	3.9	2.7	Nov Jun	18.4	4028
Union	♣v□	98	—	3.0	—	Apr Oct	13.3	4353
Warburg (SG)	♣qv□	768xd	2.8	22.0	0.2	Sep Dec	22.5	4426
Wintrust	♣qv	225	9.8	11.35	ϕ	Mar Oct	20.2	4524

BANKS, RETAIL

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	£24⅞	2.9	Q54%	ϕ	Sep May	9'93	—
ANZ A$	†	216	-4.0	Q29c	2.4	Jan	12'93	—
Abbey National	v□	494	0.9	17.75	2.8	May Oct	13.3	5411
Allied Irish I£	♣□	303	1.7	Q55%	3.1	Oct Apr	20.2	1354
Anglo Irish I£	□	53xd	—	Q17.9%	1.8	Jan Jul	22.5	1355
Asahi Y	□	805¾	-.2	Q14%	1.3	Jun Dec	12'92	3049
Banco Bil Viz Pta	□	£18⅜	-.7	Q27.2%	2.7	JyDcJaAp	7'93	—
Banco Sant Pta		£23⅝	—	Q34.7%	1.1	JyDcJaAp	2.5	—
Bk Ireland I£	v□	354xd	3.2	Q15.62%	ϕ	Jan Jul	22.5	1380
Bank Scotland	♣v□	225½xd	3.4	5.82	3.9	Jul Dec	9.5	1742
9¼pc Pf		116¾	-1.5	9¼%	—	May Nov	24.4	1462
9¾pc Pf		123½	-.2	9¾%	—	May Nov	24.4	1685
Barclays	♣v□	695	3.4	21.0	4.4	Oct Jun	13.3	1754
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% chnge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£32½	----	0450c	2.4	Oct Apr	3'93	–
Barlow	♣	591½	----	058c	2.8	Jan Jul	12.12	–
Gold Flds Prop R		144	----	080c	2.1	Feb Sep	1'94	–
NK Props		90	----	057.1c	–	Feb Sep	10'93	–
SASOL	♥	604	2.2	078c	–	Oct	3'93	–
SA Brews		2174½xd	1.4	0200c	ф	Jun Dec	30.5	–
Tiger Oats		875	----	085c	2.8	Jan Aug	12.12	–
Tongaat-Hulett	†h	725xd	----	080c	2.4	Jan Jun	15.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; x̸ ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Deletions; AAH (Hlthcare), Pacific Assets Wrts and Thornton Asian Emrg Mkts Wrts (Inv Trusts), Sunrise Energy (Oil Explm) and ACT (Support Servs).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT7286. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.
Both Annual Reports and FT Company Focus are available from the above number.

✱ FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £8.45.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.

4 pm close June 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15½	12⅛	AAR	0.48	3.2	25	340	15¼	14⅞	15⅛	+¼
24	17	ALPharmaA	0.18	1.0	142	74	18⅝	18½	18½	-¼
43⅞	35	AMP	0.92	2.2	22	4649	43	42⅝	42⅝	-⅛
70	53⅞	AMR			22	6408	68½	67¾	67¾	-1¼
47⅞	41⅞	ASA	1.71	3.9	28	489	44½	43⅝	43⅝	-¾
40⅞	30¾	AbbtL	0.84	2.1	20	7620	40⅛	39¼	39⅝	-⅜
17¼	12	Abitibi Pr x	0.40	2.4	128	539	16½	16	16½	+¼
24⅞	21	ABM Ind	0.60	2.6	13	15	22⅞	22¾	22⅞	
16⅝	13½	Acptncein			8	182	14½	14¼	14⅜	-⅛
27½	21⅞	ACE Ltd	0.56	2.2	8	642	25¼	25	25¼	+⅛
9¾	8⅛	ACM Gvt In	0.90	9.6	8	634	9½	9¼	9⅜	+⅛
7½	6½	ACM GvOpp	0.66	8.9		270	7⅜	7¼	7⅜	+⅛
7½	5¾	ACM Gvt Sp	0.75	10.7		480	7⅛	7	7	+⅛
8⅝	7¼	ACM Gvt Se	0.90	10.6		782	8½	8⅜	8½	+¼
9⅜	7⅝	ACM Man	1.08	11.5		436	u9⅜	9¼	9⅜	+¼
28⅛	10¼	AcmeClv	0.48	2.0	12	97	24½	24⅛	24½	+¾
27⅝	12⅜	Acme Elect			70	535	u28⅛	26¾	28	+⅞
34½	30	AcordBa	0.72	2.3	15	7	30⅞	30¾	30⅞	+⅛
11⅜	8⅝	Actava	0.36	3.3	8	507	10⅞	10⅝	10¾	+⅛
16¾	10⅛	Acuson			23	326	11⅛	11	11⅛	+⅛
17⅝	15⅝	Adams Expr	0.48	2.8	0	175	17½	17⅜	17⅜	-⅛
68½	53	Ad Micro				66	66	66	66	
37½	25	AdvMic			9	5025	34⅜	33⅞	34⅛	+¼
6⅞	5	Advest Grp	0.16	2.5	33	199	6½	6¼	6⅜	
21⅝	16½	Advo Inc	0.10	0.5	17	97	u21¾	21⅜	21¾	+⅜
81½	62	Aegon	2.57	3.1	16	15	u81⅝	81	81⅝	+⅛
4⅜	3⅝	Aerflx			6	253	u4⅜	4⅛	4¼	-⅛
60¾	46¾	AetnaL	2.76	4.6	11	6999	60⅛	59¼	59⅞	+¼
43½	31⅞	Aflac	0.52	1.2	14	2149	42⅞	42	42	-⅞
23⅝	16	Ahmrsn	0.88	3.8	13	11089	u23¾	22⅞	23¼	+½
1⅜	15/16	Aileen Inc			0	20	[illegible]	[illegible]	[illegible]	[illegible]
54¼	43⅞	AirPrC	1.04	2.0	18	2742	53¼	52¼	53⅛	+⅜

[illegible]

Continued on next page

هذا من الأصل

NYSE COMPOSITE PRICES

4 pm close June 2

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close June 2

AMEX COMPOSITE PRICES

4 pm close June 2

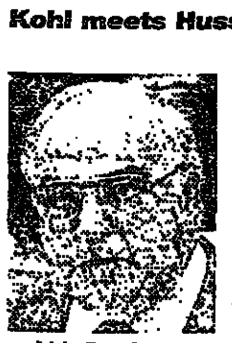
Price data supplied by Telekurs

FT Free Annual Reports Service

FT GUIDE TO THE WEEK

MONDAY 5

Kohl meets Hussein, Rabin



Germany's Chancellor Helmut Kohl will meet King Hussein of Jordan and Yitzhak Rabin, the prime minister of Israel on the Israeli-Jordanian border. The visit, part of a six-day trip by Mr Kohl to the Middle East, and his first for 12 years, is aimed at publicly supporting the peace initiative.

In particular, Germany will help finance a water project in the new territories now under the Palestinian Liberation Organisation.

Brittan in Japan

European trade commissioner Sir Leon Brittan visits Japan to exchange views on EU-Japan ties and global issues with the prime minister Tomiichi Murayama. It will be Sir Leon's first visit since January when he was put in charge of Japanese economic and political affairs. He is due to hold talks with the foreign minister Yohei Kono and trade minister Ryutaro Hashimoto and is expected to discuss the country's bitter car trade dispute with the US and stress the need for the Japanese to provide greater market access. He will be accompanied by a delegation of European industrialists representing 13 companies who will hold talks with their Japanese counterparts during the visit.

Hungary's PM visits US

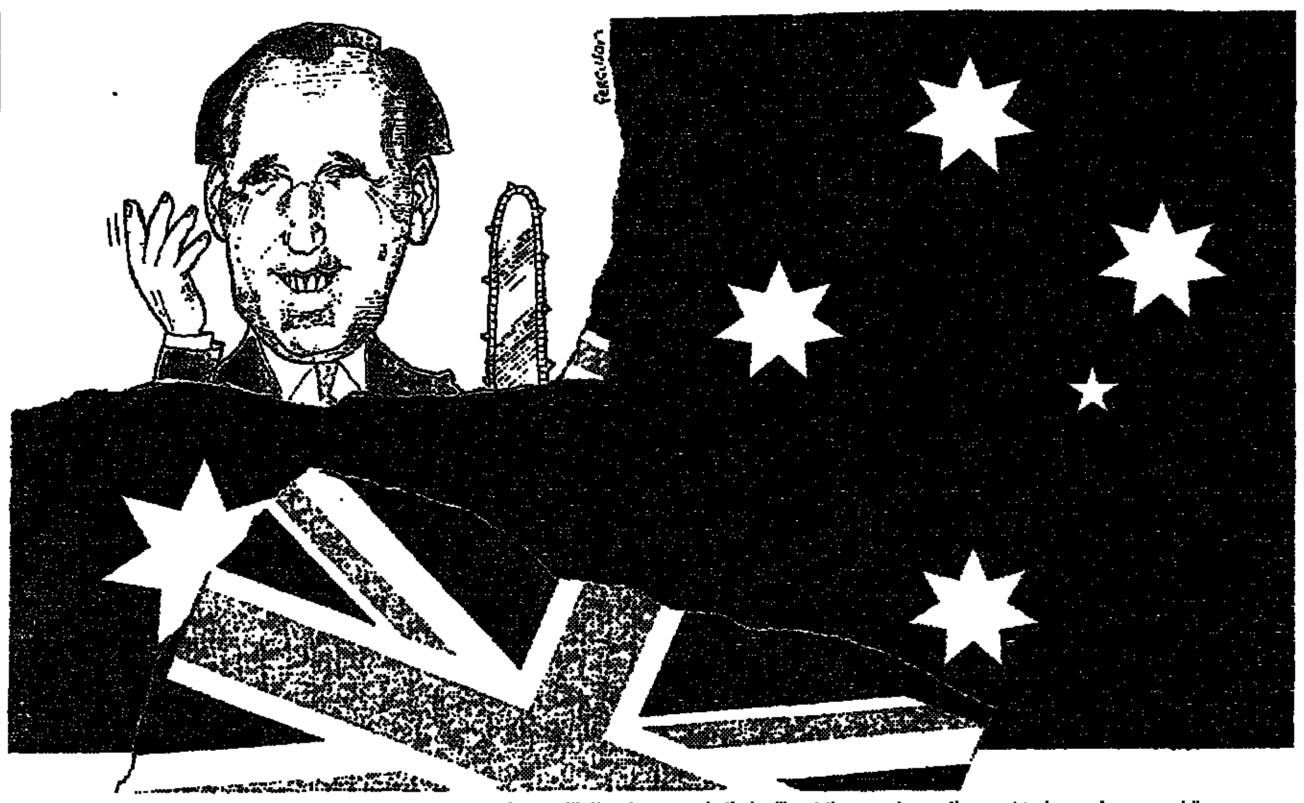
Hungary's prime minister, Gyula Horn, visits the US for the first time since taking office last July. He is due to meet President Bill Clinton and representatives of the World Bank and International Monetary Fund. Hungary is trying to secure new loans from the two institutions to support its transition to a market economy. Mr Horn hopes to encourage more US investment and is due to discuss privatisation and business opportunities in Hungary with leading US corporations.

Likud party faces split

The central committee of Israel's right-wing opposition Likud party is expected to meet to decide the system of primaries for parliamentary candidates for next November's elections. Barring any last minute compromise, the convening of the central committee is likely to provoke an immediate split in the party with a rival faction to Likud leader Benjamin Netanyahu announcing the formation of a new political party which will severely damage Likud's electoral prospects.

World Environment Day

To mark World Environment Day, 19 political and scientific leaders hold the inaugural meeting in Geneva of an independent World Commission on Forests and Sustainable Development. The commission, co-chaired by Indonesia and Sweden, will look at ways of supporting forest conservation and reconciling it with development needs.



On Wednesday Australia's prime minister, Paul Keating, reveals constitutional proposals that will put the country on the road to becoming a republic

Drive against pollution

In London, local transport minister Steven Norris launches a nationwide campaign promoting alternatives to private car use. The Don't Choke Britain campaign, mounted by local authority associations, urges drivers to leave their cars at home one day in five throughout June and walk, cycle or use public transport in a bid to lessen air pollution and improve congestion.

Holidays

Austria, Belgium, Central African Republic, Denmark, France, Germany, Hungary, Irish Republic, Ivory Coast, Luxembourg, Netherlands, New Zealand, Norway, Spain (Barcelona), Sweden, Switzerland.

TUESDAY 6

ILO holds talks in Geneva

The annual conference of the International Labour Organisation opens in Geneva (to 23). Overshadowing the meeting will be the ILO's budget problems, including the threat by the US Congress to withdraw all funding. Delegates will also discuss employment issues, mine safety and health and the rights of homeworkers.

Financial crime conference

The corporate consequences of financial crime, why worldwide fraud is on the increase and crime within the derivative markets will be some of the topics discussed at a conference at the Cafe Royal in London. Representatives of the SFO and FBI will be in attendance and speakers include Sir George Young and Labour MP Alistair Darling.

Politicians reconvene

The House of Representatives reconvenes in Washington, one day after the Senate, ready to resume its small government "revolution": slashing both the budget and regulations designed to protect heath, safety and the environment; welfare reform; and the transfer of federal programmes to state control. In London, MPs reconvene after the Whitsun recess.

FT Surveys

Lebanon and Foreign Exchange.

Holidays

Korea – Memorial Day.

WEDNESDAY 7

Keating unveils republic plan

Australia's prime minister, Paul Keating, is due to reveal his Labour government's model for an Australian republic – a constitutional structure which would no longer recognise the British monarch as its head. Mr Keating, who will outline the cabinet-approved structure in a televised parliamentary address, is also tipped to reveal plans for a referendum on the issue after the next federal election, which must be held by early 1996.

Clarke and George meet

The chancellor Kenneth Clarke and Eddie George, the Bank of England governor, meet to discuss monetary policy. After a run of soft UK economic data, financial markets are no longer expecting that Mr Clarke will raise bank base rates. However, it is likely that the bank will still be concerned about the inflationary implications of sterling's recent weakness.

Boeing 777 jets off

United Airlines flies its first scheduled commercial passenger service using the new Boeing 777 "big twin" jetliner from London Heathrow to Washington. It is offering a reduced fare on the route until August 31.

Chile and Nafta

Formal negotiations to bring Chile into the North American Free Trade Agreement start today in Toronto. Nafta's three existing members, the US, Canada and Mexico, are optimistic that the talks will be wrapped up by early next year.

Taiwan's president visits US

Lee Teng-hui becomes the first president of Taiwan to visit the US since 1979, despite threats from China of "serious consequences" for the US if it failed to revoke his visa. He will not meet any administration officials but will talk to congressmen during the five day private visit which Taiwan hopes will promote its entry into the World Trade Organisation.

Finance talks in Geneva

Senior finance ministry officials meet in Geneva to discuss progress in negotiations on liberalising financial services, due to end on June 30. The talks, seen as an important first test of the new World Trade Organisation, hang in the balance, with Washington still seeking improved offers from several emerging economies in south-east Asia and Latin America.

Christopher peace initiative

US Secretary of State Warren Christopher begins five days of shuttle diplomacy in the Middle East aimed at advancing peace talks between Israel and Syria and Israeli withdrawal from the occupied Golan Heights in return for full peace with Damascus. Mr Christopher is expected to meet with the President of Egypt Hosni Mubarak, Israeli prime minister Yitzhak Rabin, Syrian President Hafez Assad and PLO chairman Yasser Arafat.

FT Surveys

FT Review of Information Technology and Armenia.

Holidays

Bahrain (to June 8).

THURSDAY 8

Voting in Ontario

Voters in Ontario go to the polls in an election which is expected to move Canada's wealthiest province sharply to the right. The present social-democrat government led by Bob Rae is headed for defeat either by the Liberals or, if the trend of the past fortnight continues, by the Progressive Conservatives.

Stubbs painting up for sale

One of the most important British paintings to appear on the market in recent years is offered at Christie's in London. George Stubbs's "Portrait of the Royal Tiger" is expected to sell for up to £5m. It depicts a reclining Royal Bengal tiger, a gift from Clive of India to the 4th Duke of Marlborough who kept it at Blenheim Palace.

Discovery set for take-off

The space shuttle Discovery takes-off on an eight-day mission – woodpeckers permitting. NASA engineers have had to repair damage to the shuttle caused by woodpeckers chipping away at the external fuel tank. Scientists are trying to ward off the birds by using a plastic owl as a deterrent but if this fails the mission will be postponed to August.

Cricket

The first match in the Cornhill Insurance five-day Test between England and the West Indies takes place at Headingley.

Holidays

Lebanon.

FRIDAY 9

Tankan business outlook

The Bank of Japan releases its quarterly Tankan business outlook. This will be watched closely for any sign that the economy might be slipping back into recession, under the double pressure of the yen's rise and the blow to consumer confidence inflicted by a series of disasters since the turn of the year.

EU leaders meet in Paris

European Union leaders attend a working dinner at the invitation of French president Jacques Chirac. The meeting will enable the new president to consult EU colleagues prior to his US visit on June 14 and the G7 summit in Halifax, Canada the following day. The prime minister John Major will discuss the crisis in Bosnia with Mr Chirac at a breakfast meeting tomorrow.

FT Surveys

Relocation in the UK and Indonesia.

SATURDAY 10

Paris air show

The "bat-wing" B2 stealth bomber will be among US military planes making their debut at the 41st Paris Air Show at Le Bourget (to June 18). The US boycotted the 1993 show over charges of French espionage but returns as the biggest exhibitor at the biennial show. In the civil arena, Boeing's 777 twin-jet will fly-in and NASA's experimental reusable spacecraft, X-31, will be on display.

Derby Day

Owner Peter Savill has opted not to run Celtic Swing in the Vodafone Derby at Epsom, which means the colt will miss the chance to avenge his head defeat by Derby favourite Pennekamp in the Madagans 2000 Guineas at Newmarket last month.

Holidays

Jordan, Kuwait.

SUNDAY 11

Referendums in Italy

Among 12 referendums in Italy is one asking voters if they want private individuals to continue to be allowed to own more than one television network. Media mogul Silvio Berlusconi could be stripped of two of his three television networks if Italians vote to repeal an article of the so-called Mammi Law which allows private individuals to own more than one television network. Several other referendum issues could also affect Berlusconi's Fininvest empire.

French municipal elections

The first round of France's nationwide municipal elections gets under way. Voting today and on June 18 will provide an early indicator of the country's reaction to Jacques Chirac's programme which focuses on cutting high unemployment.

Motor racing

The world Formula One circus crosses the Atlantic for the Canadian grand prix in Montreal. The Williams team will have to improve on their pit stop strategy if their number one driver, Damon Hill, is to stop Michael Schumacher and Benetton racing away with this year's title.

Compiled by Liisa Rohumaa.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Wednesday: May unemployment figures for western Germany are expected to show the adverse effects of D-Mark strength. Although the consensus forecast is for no change, some analysts predict a further jobless increase to follow April's 13,000 rise. However, unemployment is expected to have fallen in eastern Germany last month.

Thursday: UK manufacturing figures are expected to show steady year-on-year growth of 2.7 per cent in April while a rise in energy output should give an extra boost to overall industrial production.

Friday: Financial markets will be looking for a lower monthly increase in US producer prices in May after sharp rises in April caused by higher energy prices and floods in California. Because prices fell a year ago, annual producer price inflation could rise.

During the week: German industrial production figures are expected to show a rebound in February after last month's provisional report of a sharp drop in output in January. Analysts expect revised January figures will make more difficult any evaluation of the D-Mark's strength on German economic activity.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Apr home completions	-	$1.43m
June 5	Japan	May trade balance, 1st 20 days	-	$0.9bn
	UK	May M0*	0.3%	0.4%
	UK	May M0**	6%	6.2%
	Canada	1st qtr indust capacity utilisation	-	84.8%
	Aus'lia	1st qtr net for debt	A$168.7bn	A$162bn
Tues	US	Apr wholesale trade	-	-1%
June 6	Japan	Apr current a/c (IMF)	$13.2bn	$13.9bn
	Japan	Apr trade balance (IMF)	-	$13.3bn
	Japan	Apr foreign bond investment	-	-$546m
	Canada	Apr building permits*	-	-1%
Wed	US	Apr consumer credit	-	$13.8bn
June 7	Germany	May unemployment, West†	0.0	13,000
	Germany	May employment, West†	0.0	-6,000
	Germany	May vacancies, West	2,500	1,000
	Germany	May short-time, West	-9,000	-18,000
	Germany	May unemployment, East	-40,000	-24,000
Thurs	US	Initial claims w/e June 3	388,000	-
June 8	UK	Apr manufacturing output*	0.5%	0.3%
	UK	Apr manufacturing output**	2.9%	3.8%
	UK	Apr industrial production*	0.4%	0.9%
	UK	Apr industrial production**	3.4%	4.9%
	Italy	Mar EU trade balance	L0.3Tr	-0.3Tr
	Italy	Mar ex-EU trade balance	L1.9Tr	1.8Tr
	Canada	May help wanted index*	-	100
Fri	US	May producer price indx	0.3%	0.5%
June 9	US	Ditto, ex-food & energy	0.3%	0.3%
	US	May bank credit	-	13.9%
	US	May C&I loans	-	15.8%
	Japan	May Bank of Jpn Tankan DI, mfg	-20%	-21%
	Japan	Ditto, non-manufacturing	-29%	-29%
	Japan	1995 Tankan capital spending	-1%	-1%
	UK	Mar global visible trade	-£1bn	-£1.16bn
	Switz'd	1st qtr gross domestic product**†	2%	2.3%
	Switz'd	May unemployment rate	4.2%	4.3%
	Norway	May consumer price indx**	2.6%	2.6%
	Sweden	May unemployment rate	7%	7.2%
	Canada	May unemployment rate	-	9.4%
	Canada	Apr motor vehicle sales*	-	-1.7%
During the week...				
	Germany	Apr final M3 (4th qtr '94)	-	-2.7%
	Germany	May final cost of living**	-	2.3%
	Germany	Mar trade balance	DM7bn	DM6bn
	Germany	Mar current a/c	DM0.5bn	-DM2.9bn
	Germany	Feb industrial production, West*	1%	-6.8%
	Germany	Feb manufacturing output, West*	-	-6.3%
	France	Apr M3*†	-0.1%	-0.3%
	Switz'd	Apr retail sales**	1%	-5.4%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.06.95: Pool purchase price £/MWh	Final Prices for Trading on 07.05.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.54	9.54	9.54
0100	9.53	8.11	8.11
0130	9.53	8.10	8.10
0200	9.53	8.10	8.10
0230	9.53	8.10	8.10
0300	9.53	7.00	7.00
0330	9.52	8.10	8.10
0400	9.52	8.08	8.08
0430	9.52	8.08	8.08
0500	9.52	8.08	8.08
0530	9.50	8.17	8.11
0600	8.14	8.11	8.11
0630	9.50	8.11	8.11
0700	9.51	9.51	9.51
0730	9.53	9.51	9.51
0800	9.54	9.53	9.53
0830	10.57	9.55	9.55
0900	9.51	9.52	11.22
0930	14.84	20.27	21.97
1000	19.06	20.27	21.97
1030	20.25	21.90	23.60
1100	20.25	21.90	23.60
1130	23.18	22.30	24.00
1200	35.58	29.34	31.03
1230	35.58	29.34	31.03
1300	35.58	29.34	31.03
1330	23.18	23.35	25.04
1400	18.58	20.27	21.97
1430	19.06	19.30	21.00
1500	18.66	9.52	11.22
1530	14.94	9.52	11.22
1600	14.94	9.54	9.54
1630	14.94	9.54	9.54
1700	14.94	9.52	11.22
1730	14.94	9.52	11.22
1800	14.84	9.52	11.22
1830	14.94	9.52	11.22
1900	14.84	9.52	11.22
1930	14.94	9.52	11.22
2000	14.94	9.52	11.22
2030	14.94	9.52	11.22
2100	14.94	30.64	32.34
2130	24.82	29.94	31.84
2200	33.67	30.64	32.34
2230	33.67	29.59	31.29
2300	27.93	30.64	32.34
2330	14.84	24.89	26.59
2400	10.67	9.55	9.55

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.06.95: Pool purchase price £/MWh	Final Prices for Trading on 08.05.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.57	9.54	9.54
0100	9.53	9.50	9.50
0130	9.53	9.50	9.50
0200	9.53	9.50	9.50
0230	9.53	9.50	9.50
0300	9.53	9.50	9.50
0330	9.53	9.51	9.51
0400	9.53	9.51	9.51
0430	9.53	9.51	9.51
0500	9.53	9.51	9.51
0530	9.57	9.52	9.52
0600	9.50	8.14	8.14
0630	9.54	8.14	8.14
0700	10.67	8.14	8.14
0730	17.25	8.14	8.14
0800	18.00	9.54	9.54
0830	20.75	9.56	9.56
0900	23.43	9.62	11.80
0930	24.57	14.70	16.79
1000	25.69	21.74	23.82
1030	29.45	24.15	26.23
1100	29.78	24.15	26.23
1130	30.03	24.15	26.23
1200	30.28	24.15	26.23
1230	31.68	24.15	26.23
1300	30.52	24.15	26.23
1330	23.36	21.74	23.82
1400	23.10	20.11	22.20
1430	22.84	14.70	16.79
1500	22.53	9.52	11.60
1530	22.28	9.52	11.60
1600	22.57	9.52	11.60
1630	23.14	9.62	11.60
1700	33.98	14.70	16.79
1730	33.36	25.44	27.52
1800	32.62	25.44	27.52
1830	21.24	25.44	27.52
1900	18.98	17.17	19.25
1930	18.94	14.70	16.79
2000	17.25	9.65	9.65
2030	17.25	16.01	16.01
2100	17.25	26.72	27.81
2130	17.25	43.00	45.08
2200	19.00	43.00	45.08
2230	19.00	36.05	38.14
2300	19.00	17.17	19.25
2330	17.25	14.70	16.79
2400	16.80	9.55	9.55

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £76.66/MWh becomes 7.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

MONDAY PRIZE CROSSWORD

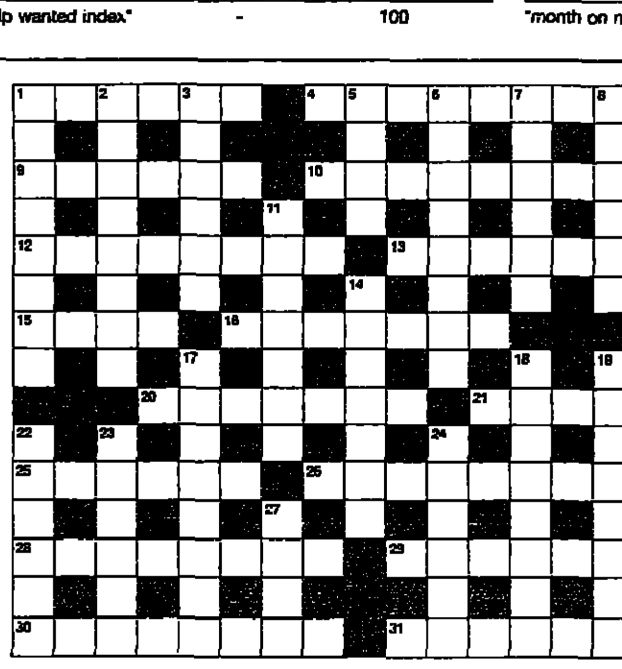
No.8,779 Set by VIXEN

ACROSS

1 It's mad, mad, being in the centre (6)
4 Menacing the left (8)
9 Ring, not for the first time, to make a cancellation (6)
10 Set against the way a social worker gets persistent (8)
12 Ran out of personal cover (8)
13 Playwright needing a little *help in erotic scenes* (6)
15 Contend with western opinion (4)
16 Crime committed by a shady character? (7)
20 Anticipate a charge for retaining metal containers (7)
21 German woman modelling a fur (4)
25 There's a revolution on all sides (6)
26 The driver imbibes nothing, though he does enjoy a drink (5)
28 Edward's read about the soldiers held in check (8)
29 Bound to proceed (6)
30 Desiring change of place for the best view (8)
31 A title correctly given (6)

DOWN

1 Wearing this is brave – a way-out fashion (8)
2 The foreign dealer who's mean with little hesitation (8)
3 A crawler will back up lawyers' accounts (6)
5 Smooth metal (4)
6 Feeling it's modish to be frugal with about a hundred (8)
7 *Worried when breaking a* steed (6)
8 Traitor, one on an allowance (6)
11 Fixed price being about right, arrange delivery (3,4)
14 Reveals blunders – quite a few (7)
17 Dogs making a good showing? (8)
18 Using 5 is imperative (8)
19 *Striking the Conservatives as* incontestable (8)
22 The man having money in liquid assets (6)
23 A quarter frequently relax (6)
24 Some actor portraying indolence (6)
27 "X" has key for minister (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday June 15, marked Monday Crossword 8,779 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 19. Please allow 21 days for delivery of prizes.

Name...

Address...

Winners 8,767

P. Dendy, Treuddyn, Clwyd
F. Chilton, Loftus, Cleveland
Mrs D. Fenton, Sleaford, Lincolnshire
Avril King, Badgers Mount, Kent
M. Wadely, Edenbridge, Kent
P.J.R. Wright, Wistaston, Cheshire

Solution 8,767